TESTIMONY OF RICHARD V. SECORD

JOINT HEARINGS

BEFORE THE

HOUSE SELECT COMMITTEE TO INVESTIGATE COVERT ARMS TRANSACTIONS WITH IRAN

AND THE

SENATE SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION

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HOUSE SELECT COMMITTEE TO INVESTIGATE COVERT ARMS TRANSACTIONS WITH IRAN

SENATE SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

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JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Testimony of Richard V. Secord

TUESDAY, MAY 5, 1987

SENATE SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
AND
HOUSE SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN,
Washington, DC.

The select committees met, pursuant to call, at 10 a.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

STATEMENT OF HON. DANIEL K. INOUYE, A UNITED STATES SENATOR FROM THE STATE OF HAWAII AND CHAIRMAN, SENATE SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION

Chairman INOUYE. The joint hearings of the House Select Committee to Investigate Covert Arms Transactions with Iran and the Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition will come to order.

Ladies and gentlemen, 200 years ago, the framers of our Constitution provided for more perfect union by establishing a strong national government built on a system of checks and balances.

The Founding Fathers did not believe that effective government and checks and balances were inconsistent. On the contrary, it was their premise that no branch had such a monopoly on truth that it should be free to act with total independence.

The unique genius of the American system was that by dividing power, it promoted sound policy based on reasoned and open discourse and mutual trust between the branches. These hearings this morning and for the days to follow will examine what happens when the trust which is the lubricant of our system is breached by high officials of our government.

The story is not a pretty one. As it unfolds in these proceedings, the American people will have every right to ask how could this have happened here. And as we answer that question, the American people will have every right to demand that it will never happen again.

Indeed, it should never have happened at all.

The constitutionally mandated relationship between the Executive and Legislative Branches of this Nation has stood the test of time. It has survived the shock of civil war, outlasted the mightiest monarchies and dictatorships, and seen us successfully through the turbulence of world wars.

There is no reason this same carefully calibrated system could not have guided us through the difficult choices we faced in Central America and Iran.

The formulation of American foreign policy has always been a matter of discourse between the President and Congress. Without detracting from their own primary responsibility, Presidents have understood that Congress has an indispensable role in foreign policy.

We must ratify the treaties, confirm the major foreign policy officials, authorize and appropriate the funds and exercise the oversight. Bipartisanship in the execution of foreign policy requires prior consultation in the development of foreign policy.

In short, it is a working relationship. The President may be the senior partner in foreign policy, but he is not the sole proprietor.

Indeed, this fact was seemingly recognized by this Administration. In 1984, the Administration pledged its complete cooperation with Congress. It entered into an unambiguous agreement with the Senate Intelligence Committee promising advance notification of anticipated covert activities.

As recently as the summer of 1986, the Director of Central Intelligence reaffirmed this agreement and lauded the successful partnership that had developed between the Executive and the Intelligence Committee.

But at the very moment these promises of cooperation, notification, and partnership were being made and reaffirmed, the secret chain of events which would explode in the Iran/Contra affair was well in motion.

The story is one not of covert activity alone, but of covert foreign policy. Not secret diplomacy, which Congress has always accepted, but secret policy making, which the Constitution has always rejected.

It is a tale of working outside the system, and of utilizing irregular channels and private parties accountable to no one on matters of national security while ignoring the Congress and even the traditional agencies of executive foreign policymaking.

The story is both sad and sordid; it is filled with inconsistencies and often unexplainable conduct. None of the participants emerges unblemished. People of great character and ability holding positions of trust and authority in our government were drawn into a web of deception and despair.

Congress, too, is not immune from scrutiny in these hearings. We cannot avoid asking whether appropriations bills which changed from year to year and sometimes within the same year were an effective way of controlling foreign policy.

Nor can we avoid asking whether we were vigilant enough in carrying out our oversight functions.

Let it be clear, however, that our concern in this inquiry is not with the merits of any particular policy, but with flawed policymaking processes.

Our hearings are neither pro-Contra nor anti-Contra, neither pro-Administration nor anti-Administration. We are not prosecutors; and this is not an adversarial proceeding. We meet here as American citizens, united in a common effort to find the facts lest we repeat the mistakes.

Our purpose is self-examination, not recrimination. To this end, we will deal with questions of the greatest sensitivity to our national security, questions we address precisely because we in Congress do recognize that the paramount importance of foreign policy. And so we will consider in these hearings the following questions:

First, were the statutory restrictions on the United States aid to the Contras violated?

Second, was Congress misled?

Third, were the executive branch's own internal checks and balances bypassed in policy decisions in Nicaragua and Iran?

Fourth, was there a public foreign policy and simultaneously was there a very different covert foreign policy?

Fifth, was American foreign policy privatized;

And, finally, were decisions on the most significant matters of national security driven or influenced by private profit motives?

We do not deal here with civil disagreements over the direction of U.S. foreign policy, or with the creative tensions between the branches of government.

Those are normal and healthy, and they do not end in shredding of documents. Only a contempt for law leads to altered documents and perjured statements.

By eliciting and examining the entire story, we believe our Nation will emerge stronger. We also believe that sunlight is the best disinfectant. Our country is not divided or disspirited. These hearings do not represent our democracy's weakness, but its strength.

This strength and unity of purpose are reflected in the decision of our two committees to conduct these hearings jointly. This was an historic decision, insuring that the public interest would prevail over any parochial interest and that the full story would be presented to the public expeditiously and fairly. This outcome would not have been possible without the cooperation and statesmanship of my colleagues on the House Committee and their distinguished leaders, Congressman Lee Hamilton and Congressman Richard Cheney.

Another historic feature of this inquiry is the bipartisan spirit that has guided our efforts. Our Senate Committee has a unified staff whose members report to the committee as a whole, not to Democrats or Republicans. The Senate Select Committee has been pleased with a staff of extraordinary talent and dedication to match.

When the history of this period is written, I am certain this footnote wiil amply recognize the indispensable contribution of the staff which was ably guided by the chief counsel, Arthur Liman.

This usual superlatives cannot describe this man's contribution to this committee. My senior Republican colleague on this panel, the very Honorable Warren Rudman, is this committee's vice chairman and my equal partner in this inquiry.

He and I have worked closely together, consulting on every issue, reaching joint decisions on every question, striving always towards the same objective. I applaud his leadership. I value his wisdom. I value his counsel.

So, too, do I recognize the great contributions of every member of our committee. Each Senator has spent many hours preparing for these hearings, reviewing mountains of evidence, pouring over the transcripts and documents on busy days, week nights, and weekends.

No one has raised a political issue in private or in public. Not one has sought to turn this matter into partisan or personal advantage.

All our committee votes on even the most sensitive and potentially divisive questions have been unanimous. This bipartisan spirit has been matched on the other side of Pennsylvania Avenue.

The White House has been cooperative. Executive privilege has not been asserted. And even the President's personal diaries have been shared with us. The Executive Department has likewise responded to our requests.

None of this is to say that we and the executive agencies have agreed on every matter. We have had our disagreement. But there they have been minor and also in good faith and most importantly, it has worked.

It is truly sad that such interbranch cooperation and trust could not have been the rule before, because if it had, we would not be here today. Indeed, we must ask why the bipartisanship which has marked this examination of our foreign policy making process could not be extended to the making of our foreign policy in the future. Some of us believe it can. All of us hope it will.

But first we must clear the air and let the facts of this unfortunate and sad affair emerge. So to this end, I call these hearings to order.

Now, ladies and gentlemen, it is my privilege to call upon my colleague from the House of Representatives, the Chairman of the Select Committee, the Honorable Lee Hamilton.

[The prepared statement of Mr. Inouye appears at p. 369]

STATEMENT OF HON. LEE H. HAMILTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF INDIANA

Chairman **Hamilton**. Thank you very much, Mr. Chairman. We all thank you for a most eloquent and perceptive statement.

A Hoosier constituent of mine recently asked why the Congress is spending so much time on the Iran-Contra Affair when there are so many other important things to do. That question is appropriately addressed as we begin.

The short answer is that we hold these hearings because in the course of the conduct of the Nation's business, something went wrong, seriously wrong. If something goes wrong in our system, we want to bring it out into the open, examine it, learn from it, and, if possible, correct it.

Congressional oversight is an integral part of this constitutional process in our democracy and that is why we are here. At the heart of what we do in these hearings is the proper working of our system of government. Let me address several questions.

First, what went wrong? Our answer to that question today must be tentative, not final. But after four months of investigation, the examination of over 100,000 documents, and the interview of hundreds of witnesses by the committees, we can begin to address that question.

These hearings will show, I believe, that many things went wrong. Significant foreign policy decisions on Iran, terrorism, Nicaragua were made in secret. For months, some individuals, in and out of government, went to great lengths to conceal activities from the Congress, from appropriate officials in the executive branch, and from the American people.

This excessive secrecy led policy astray. A small number of officials made policy outside the democratic process.

Secret policies, different from stated policies, cast doubt on our political process and our credibility in the eyes of Americans and friends and allies around the world.

Some officials apparently did not understand how our democracy works. Their conduct demonstrated a fundamental distrust and disrespect for democratic principles and the orderly processes of constitutional government.

Apparently, we had one policy in public and another policy in private. We said one thing to our friends and allies, and we did another.

Where the law required notice to the Congress, efforts were made to circumvent the law. When Congress inquired, it was not always told the truth.

Where Congress prohibited the involvement of government agencies, private individuals and enterprises were recruited and directed by government officials to perform prohibited activities.

Where complex decisions should have involved the expertise of many in government, a few officials relied on outsiders and even foreigners to formulate and execute American policy.

High officials did not ask the questions they should have asked. Activities were undertaken without authority. Checks and balances were ignored. Important meetings occurred without adequate preparation. Established procedures were circumvented. Accurate records were not kept, and legal questions were not addressed.

Secondly, what should you look for in these hearings?

These hearings will have three phases. In phase one, we will examine the policy of support for the Contras. Reasonable people may differ about the wisdom of this policy, and our hearings will not address the merits of the issue.

Our concern here begins in 1984 when Congress and the President enacted the Boland Amendment. This law prohibited any agency engaged in intelligence activities from spending money in direct or indirect support of the Contras.

These hearings will be devoted to finding out what was done during the period that the Boland Amendment was in effect to supply the Contras.

By whom was it done and at whose direction? What funds were raised? Who raised them? Where did they come from, and how were they spent? What was the involvement of high officials, and what did they know about the Contra supply operation?

In phase two, we will examine the series of secret arms sales to Iran. We will try to find out how this policy began, why it continued, how it became an exchange of arms for hostages, and what happened to the proceeds from the sales. We will want to know who was involved, what they did, at whose direction they acted, and whom they kept informed.

In phase three, we will try to assess responsibility. Who was responsible for devising these policies and supervising their execution? Did high officials abdicate responsibilities? Were high officials misinformed and misled? What was the extent of the President's knowledge and involvement?

The final question is what do we hope to achieve in these hearings? We are here to investigate and to inform, not to prosecute. We will follow the facts where they lead.

We do not seek radical change. We seek to restore the established and constitutional ways of doing the Nation's business. We seek to show that these misdeeds are not the way we do business in this country.

These joint hearings are a part, and only a part, of the process of discovering the truth about these events. Others have investigated, and we build upon their work.

As we have better understood these events, changes have already been made in the way we conduct our Nation's business. More changes will be made. Our constitutional process is working, and the purpose of these hearings is to contribute to the self-cleansing process of our democracy.

We have no desire to prolong these hearings. We, too, want to get back to the work on other important matters on the congressional agenda, but we do have a constitutional responsibility to fulfill. We want to carry out that responsibility carefully, fairly, and faithfully.

Our system of government is effective only if it enjoys respect and trust, and this inquiry will achieve its purpose if we can contribute to rebuilding that respect and trust.

Mr. Chairman, let me join in your remarks of praise for the work of our colleagues on the committee and for the members of our staff. That work has been skillful and diligent and, as you suggest, bipartisan.

I want especially to thank the work on the House side of the Vice Chairman, Mr. Fascell, and the ranking member, Mr. Cheney. They have in every respect been supportive and helpful, and it has been a high privilege for me to work with you and Senator Rudman. Your leadership and your statesmanship will certainly mark the success of these hearings.

Thank you.

[The prepared statement of Hon. Lee H. Hamilton appears at p. 376.]

Chairman INOUYE. Thank you very much, sir.

Now it is my great pleasure and privilege to call upon my distinguished colleague from New Hampshire, the Vice Chairman of the Senate Select Committee, the Honorable Warren Rudman.

STATEMENT OF HON. WARREN B. RUDMAN, A UNITED STATES SENATOR FROM THE STATE OF NEW HAMPSHIRE

Mr. RUDMAN. Thank you, Mr. Chairman.

Mr. Chairman, Chairman Hamilton, today the House and the Senate Select Committees begin public hearings on the Iran Arms Initiative and the diversion of arms sale profits to the Nicaraguan opposition.

This is the second phase of the committee's work, the first phase being the actual investigation, which began in January and is continuing at this very moment.

We begin these hearings as the Nation approaches the Bicentennial of our Constitution, so it is appropriate to note that the investigative power of Congress is inherent in its constitutionally assigned role as the legislative branch of government.

The innate power of the legislative body to investigate comes from English common law dating back to at least the 16th century. Committees of the House of Commons had the power to summon witnesses, examine documents and punish for contempt, just as these two committees have today.

The American colonial legislatures, the Continental Congress and the early state legislatures relied on these precedents.

Woodrow Wilson, as a college student, wrote that "the informing function of Congress should be preferred even to its legislative function."

As a senator, Harry Truman stated that "the power of investigation is one of the most important powers of the Congress. The manner in which that power is exercised will largely determine the position and prestige of the Congress in the future."

Most of the major historical congressional investigations have been concerned with allegations against and actions by officials in the executive branch. Other examples include Watergate, the McCarthy hearings and Teapot Dome.

That is as it should be. The ability of Congress to discover the facts and expose improper conduct in the executive branch is one of the key checks in the brilliant system of checks and balances devised by the Founding Fathers of our country.

I will take just a brief moment to thank and commend Senator Inouye, the Chairman of the Senate Committee. Senator Inouye has set a standard that future special committees and their chairmen will find difficult to match. From the beginning he has run the committee effectively and in a bipartisan fashion, which is proven by the fact that every vote taken by the committee has been decided by unanimous vote.

He put together a nonpartisan, professional staff which, under the direction of Arthur Liman, has performed brilliantly. They have worked brutal hours over the last several months, piecing this complex story together. Most are still working on it today.

I also want to express my appreciation to Representative Hamilton and Representative Cheney, the Chairman and Ranking

Member of the House Committee. Their willingness, along with that of Senator Inouye, to cooperate on this sensitive matter has produced a result that nobody thought possible four and a half months ago, one that serves our Nation well and brings credit to the Congress as an institution.

Merging of the House and Senate investigations has assured the American people will get the full story sooner. By combining the hearings of the House and Senate Committees, we have assured that the full story is told to the American people in a coherent manner. By working together, the two committees have avoided an unhealthy competition and assured a nonpartisan and professional search for the truth.

The willingness of separate House and Senate committees to merge their separate identities and work as one is, to the best of my knowledge, a historic first and especially noteworthy given the high profile and sensitive nature of this subject.

By the time these hearings are concluded, the American people will learn the answers to the five final questions: who, what, when, why, and how.

Of course, we will examine the role of the President and various executive branch officials. What actions did the President specifically approve of? What exactly did Federal officials do? On whose authority was such actions taken, and were any laws violated?

We will also examine how the various aspects of the affair developed. Did various people consciously set out to violate the law? Were they well-intentioned policies and motives which went astray? Was the problem attributable in any way to unclear or vague Federal laws on the issue?

Finally, we must look at how the foreign policy process worked. Is the existing process flawed, or was it simply ignored? What are the ramifications when foreign policy is privatized in a way that leaves it susceptible to the control of profiteers rather than policymakers?

The story that will be told is a sad one. There will be evidence of illegal behavior and contempt for our democratic form of government. There will be stories of greed and incompetence. There are many victims, especially the American people, who have a right to expect better from their Government. While the investigation is still underway, we already have sufficient evidence to establish that this is an inexcusable fiasco of the first order.

It is important, however, to keep things in perspective. These hearings, while laying out an unfortunate affair, will also serve as a reminder of the fundamental strength of the American system. This investigation and these hearings demonstrate the self-corrective nature of our democratic government. They prove once again the brilliance of Winston Churchill when he stated that "democracy is the worse system devised by the wit of man, except for all the others."

Thank you, Mr. Chairman.

[The prepared statement of Mr. Rudman appears at p. 380.]

Mr. INOUYE. Thank you very much. It is now my pleasure to call upon the Ranking Minority Member of the House Select Committee, the Honorable Richard Cheney of Wyoming.

STATEMENT OF THE HON. DICK CHENEY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WYOMING

Mr. CHENEY. Thank you, Mr. Chairman. I would like to join my colleagues, Mr. Rudman, and Mr. Hamilton in thanking you for the fair and impartial way in which you have proceeded in this matter. It is not an easy assignment to serve on this committee, and it certainly hasn't been an easy assignment for either of our colleagues, Mr. Hamilton or Senator Inouye. They have indeed done a very fair and impartial job of presiding over these events.

I think it is also important, Mr. Chairman, to point out there is another individual who has been very supportive and cooperative of everything this committee has done to date, that is the President of the United States. These won't be easy hearings to watch in the West Wing, but it is important, I think, for people to know that the President has indeed cooperated fully with our investigation.

Earlier this year he appointed the Tower Commission to examine these events on behalf of the executive branch. That report has been made public, and it, too, is not easy reading. It contains some very tough criticism of our foreign policy with respect to the events under investigation by this committee, but the President, I thought, responded well to those developments.

It takes a big man to submit himself and his administration to that kind of scrutiny. In connection with this inquiry, which he has encouraged, he has placed no obstacles in the path of our investigation, and as was mentioned earlier by Senator Inouye, he has even made available to members of the committee the most intimate personal thoughts of his administration, his own diary.

Mr. Chairman, these are hearings about important events. It is a case study, if you will, of the condition of U.S. foreign policy. It is a very interesting story to be told about arms sales to Iran, about negotiations for hostages, and about support of the Contras in Central America. Some will say it is even a fascinating story. But all of this has little meaning unless it is viewed within the broader framework of American foreign policy.

A complete understanding of these events requires us to consider the context within which they occurred. For example, the development of a private support network to assist insurgents fighting the Civil War in Central America makes little sense considered in isolation. But it takes on a whole new significance when placed in the context of the following developments: the establishment of a Communist government in Nicaragua, an outpost of the Soviet Union; the diffusion of hundreds of millions in military aid from the Soviet Union and Cuba; efforts by the Communist Government of Nicaragua, by subversion, to destroy the fragile democratic governments in Central America; and of course a U.S. Government policy characterized by doubt and uncertainty—a policy which changed from supporting the Contras to prohibiting official military assistance to supporting military assistance, all within a few months.

Obviously, the merit of policy options in Central America will be debated in other committees and on the floor of both Houses, but we must be conscious as we pursue the facts of the Contra matter, of the larger issues which may have led to these events. One important question to be asked is to what extent did the lack of a clear-cut policy by the Congress contribute to the events we will be exploring in the weeks ahead.

What is needed, Mr. Chairman, is a calm, objective weighing of the evidence to be presented. Once all the evidence is in, we will have the opportunity to draw conclusions and to make recommendations to the House and Senate. The issues raised by these events are not new. We have had previous debates over the role of covert actions, the role of the President, the role of private individuals, and the appropriate role of Congress in foreign policy.

Some will argue that these events justify the imposition of additional restrictions on Presidents to prohibit the possibility of similar occurrences in the future. In my opinion that would be a mistake. In completing our task, we should seek above all to find ways to strengthen the capacity of future Presidents and future congresses to meet the often dangerous and difficult challenges that are bound to arise in the years ahead.

Chairman INOUYE. Now I wish to call upon the Deputy President Pro Tempore of the United States Senate, the very distinguished gentleman from Maine, Senator George Mitchell.

STATEMENT OF HON. GEORGE J. MITCHELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. MITCHELL. Thank you, Mr. Chairman.

These hearings will address important questions for our democracy: the need for high Government officials to respect and obey the law, the need for open and vigorous debate of public policy, the need for vigilant congressional oversight of the way the law is implemented.

In the weeks ahead we will hear of individual and institutional error, of wrongdoing, even of criminal activity. We will be frequently appalled, occasionally amused. Through it all, we should not leave sight of the broader issues.

A democratic Nation dependent on the rule of law and respect for that law can not remain democratic if its Government officials are not accountable to the law. And when the Government abandons open and competitive debate and resorts for inadequate reason to secret decisionmaking by a few the likelihood of error increases.

The Iran-Contra affair is a classic example of that. The law requires the President to notify the Congress in advance of certain covert operations, or if notice can not be given in advance, then in a timely fashion.

There is little doubt that if the President had notified congressional leaders of his intention to sell arms to Iran and to exchange arms for hostages, they would have warned him not to do it. That was not done.

As a result, a secret policy was pursued that was contrary to our public policy, contrary to what we were telling our allies to do, contrary to our national interest.

In no respect were these actions wise. In every respect they were serious mistakes for the President and for the country.

James Madison observed that,

> If men were angels, no government would be necessary. In framing a government which is to be administered by men over men, a great difficulty lies in this. You must first enable the government to control the governed, and in the next place oblige it to control itself.

In those few words, Madison captured a central difficulty of government by and for the people. The difficulty was addressed in part by the separation of powers, the system of checks and balances prescribed by and embodied in our Constitution.

As we begin these hearings, we focus the attention of the Nation on these critical issues. We, as a committee of the Congress, with the independent counsel and the justice system, will hopefully demonstrate the ability of our government to control itself, to adjust the abuse of power.

Serious wounds have been inflicted. The reputation of our Nation has been damaged. The confidences of the American people in its government has been weakened. Our foreign policies in Central America and the Middle East have been thrown into question.

The Tower Commission criticized a mismanaged White House, casual delegation of important power, the abdication of responsibility by some of our high officials. It answered many questions, but many other questions remain.

What happened to the money? The reports of the Senate Intelligence Committee and the Tower Commission both contain references to millions of dollars raised at home and abroad by Government officials and private citizens. But neither the commission nor the committee had the time or the resources to document the money trail. We will do so.

Who knew about it and who authorized the use of these funds for military assistance to the Contras? Was the President, as he states, unaware of the diversion of funds from the arms sales to Iran and of other money and material assistance to the Contras in violation of the law?

The President is entitled to be believed, entitled to the benefit of the doubt, unless and until there is evidence to the contrary. We will find out if there is such evidence.

And if the President did not know, on whose authority and at whose request were so many elements of our Government mobilized to carry out these unwise and unlawful activities?

These and other questions will be answered in these hearings. We have a solemn responsibility to present all the facts, to bring the full truth to the American people as thoroughly, as fairly, as promptly as possible.

Under the bipartisan leadership of the Chairman and Vice Chairman of these committees, with the assistance of an able and dedicated staff, we have made a good start. It is now time to begin the process of laying the facts before the American people.

If, when we finish these hearings, they know the truth, we will have been successful.

Thank you, Mr. Chairman.

Chairman **Hamilton**. I am pleased to recognize the distinguished Vice Chairman of the Select Committee, the gentleman from Florida, Mr. Fascell.

STATEMENT OF HON. DANTE B. FASCELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. FASCELL. Thank you, Mr. Chairman.

I have some remarks to make, Mr. Chairman, but I ask unanimous consent to submit a statement for the record.

Chairman HAMILTON. Without objection, so ordered.

[The prepared statement by Mr. Fascell appears at p. 386.]

Mr. FASCELL. Mr. Chairman, first let me compliment you and the ranking member and Chairman of the Senate Select Committee and the ranking member of that committee for these joint hearings.

This is a historic occasion in order to deal with a very difficult matter. It has been totally bipartisan in our operations up until now, and I am positive it will stay that way. The nature of what we are discussing demands it.

And what these hearings are all about, what you can expect, what has been done, what is going to be done, our chairmen have delineated very clearly.

So, these thoughts are somewhat in addition to that, and I will represent my own personal views. Representative democracy—basically these hearings are about accountability, truth, and the facts.

I was asked why Congress didn't do something about this before. Very simple. We didn't know anything about it. It is very tough when all the information you need is in the executive branch of government. The system provides for a quality of responsibility and power in a constitutional government.

And so, what we are doing here today is simply making the official record, if you will, because starting back in—whenever it was—we saw demonstrated the power of another great constitutional freedom, and that is the media at work in a democratic, open, free society to get the facts to the people.

And the Congress, necessarily, because of the nature and the scope of this investigation, has been constantly behind the curve. But now with the examination of hundreds of witnesses and hundreds of thousands of documents, we are prepared now to make the official record and our own determination here what is the truth and what are the facts, and the American public can decide for themselves when they see and read.

So, we are concerned here with foreign policy, a flat statement of policy publicly expressed, but a different one entirely being privately implemented; a major agency of the Government, the National Security Council, as an adviser to the President, being used as an operational agency when, in my judgment, it was never contemplated by law or otherwise that it ever should have that responsibility; that the Congress was bypassed is clear and admitted, but other agencies and advice of senior members of Government totally ignored, funds or assistance provided to the Contras when the Congress said otherwise. And let me address that.

Congress in adopting any policy reflects as best it can what is with the American people. I have always had the belief that no foreign policy can be successfully implemented that is not fully understood and supported by the American people.

I don't see any way in the world that given the arm's length relationship that normally exists between the legislative and executive branches that not having the opportunity for the formulation of policy and that when you get into a divergent or unclear position with regard to the implementation of that policy you are obviously going to run into difficulty, I don't care how zealous or how right you are—and that is in quotes—was some criminal, some not criminal ignored, violated, interpretations stretched or distorted?

Implementation of foreign policy turned over to private individuals and organizations? Obviously not a wise decision. The President either acquiesced or he was purposely kept in the dark or people distorted the facts in order to protect the President, none of which is a good position for anybody.

I think the President is entitled to every credibility and every commendation for his cooperation with regard to the hearings that we are undertaking.

So the hearings are necessary to make an official record and put all of this to rest, to learn from it as far as the operation of Government is concerned, to demonstrate once again, because this is a continuing struggle, the strength of democracy, the strength and the wisdom and the common sense of the American people. So we here about truth.

We are here about truth; we are here about accountability; we are here in these hearings about the use of zeal and power to accomplish, as a result a laudable purpose in the cries of some. But we have to live it seems to me if we are going to live at all in our system by the principles of a Constitutional government where no person is a law unto himself.

Chairman **INOUYE**. I am now pleased to call upon the distinguished senior Senator from the State of Idaho, the Honorable James McClure.

STATEMENT OF HON. JAMES A. McCLURE, A UNITED STATES SENATOR FROM THE STATE OF IDAHO

Mr. **McCLURE**. Thank you very much, Mr. Chairman.

Let me join with my colleague in commending you and Chairman Hamilton and the Vice Chairman and ranking minority member in the House for the way in which you have collectively brought us to the point of beginning this inquiry.

We, as members of the committee, as members of the Congress, and as citizens of the United States, I think are in a debt of gratitude to you for the way in which you have handled this task. I think it bodes well for the inquiry itself, for there are major partisan overtones that could have easily submerged the committee in discussions of policy rather than matters of process.

I am very grateful that at least so far we have avoided that, and I think the chances of avoiding it are enhanced by the way in which you have approached this task.

What we are about to embark on today is not a trial; it is a formal inquiry into the policy decisions that led the United States to sell arms to Iran. It is also an inquiry into how certain funds involved in those transactions may have been diverted to aid the Nicaraguan resistance.

It may seem even somewhat confusing we start out by pursuing not the first line of inquiry first, but the second line of inquiry first. It is clear to me that these policies had clear and distinct and separate beginnings, and subsequently were emerged for a variety of reasons.

Once all of the evidence is presented, I am confident we will have a better understanding of how this came about.

I want to touch on one particular subject that I am sure my colleagues in the Senate committee would expect me to raise and will not be surprised but perhaps the American public hasn't had the same opportunity to look at that issue as has the Senate committee; this is the question of what has been referred to in the public discussion of our investigation as limited use immunity or as many would put it, why did you grant immunity to such witnesses?

That phrase or some variation of that has been a convenient shorthand for those who try to explain what we are doing, but unfortunately, it has led many to believe that because of this limited use of immunity the independent council will be prevented from pursuing any potential prosecution if, in fact, there are grounds for that action. And that, as every member of this committee, of these two committees, knows, is not the case.

What the committees have done is something quite different from that, because our responsibility is not prosecution but the diligent prosecution of information trails that will lead us to an understanding of what happened, not criminal prosecution of individuals. And to obtain that information we need the kind of statements from those who know, which in some instances they fear might cause themselves to be exposed to possible criminal liability, and they refuse to talk.

If we need that information, we have to find a way to get it. What we can do is not grant immunity, but request the court to compel witnesses to testify before us, and the court under our laws in making that order also provides that the information they give us and the testimony they produce cannot be used against them in a subsequent prosecution if there is one.

It does not bar the prosecutor from using the same information obtained from other sources if he believes that there is criminal prosecution and that evidence is necessary to the criminal prosecution.

I don't want to be understood by making that statement that I have concluded that there is criminal wrongdoing on the part of anyone or several persons; that is not our function. That is the function of the special prosecutor in the courts to make that determination.

We who have had to look at reams of information over weeks of time are aware of certain conclusions which we or others may have reached, but in the area of criminal wrongdoing, it is inappropriate for this committee to make any statements concerning that at this time. Certain individuals may at a later time desire to do so.

Certainly this is an important undertaking we begin today, but I would state my own belief there are many other issues of greater importance to the people of this country, and I have constituents like the ones who spoke to Chairman Hamilton who asked why we spent so much time on this.

I have many people in my State of Idaho who say the same thing to me. These are important times for this country, gaining control of Federal spending, tracking what is happening, and I would much rather spend our time tracking on what is happening in arms control negotiations which is a policy in evolution, rather than looking back over this history, which is history, but it may, looking at the means by which this was done, may yet yield some light as to what kind of negotiations are underway and what we will be confronted with later on in terms of administration suggestions to the Congress of the United States about arms control.

We haven't yet adopted a budget, and I would guess, if I understand things correctly, the May 15 date is not likely to be met. I believe that we have serious issues that confront us and yet we have a preoccupation whenever there is a titilating story to be told that sometimes diverts us from more fundamental questions.

U.S. policy in Central America is not just a contest between the Congress and the administration, and it is not just a question of administrative processes; it is a fundamental security question that is hotly debated in the Congress and between the Congress and the administration and, therefore, has a very great importance and yet this committee is not really impaneled, empowered, nor directed to debate what Central American policy ought to be.

We are trying to find out how the administration dealt with the question of Central American policy in ways in which the Congress had also acted in the same question.

I believe in the weeks ahead we will be able to conduct this investigation in a thorough manner and when we have done that, the American public will have the opportunity to see more clearly than they have to this time some of the details of the evolution of policy and certainly a great many people will be watching very carefully to see whether or not we have found where all the money went.

But let's keep our eye on our goal and not allow ours to be diverted into intriguing sidelights or side channels, and finally, Mr. Chairman, I think it is obvious that this is an inquiry by the Congress of the United States that will look more closely at administration actions than it looks at congressional actions.

We will have to be, I think, judicious in looking at our own actions in terms of congressional statements in the past as policy was developed and congressional responsibility for the lack of trust which is evident between the administration and the Congress. All the responsibility does not lie at either end of Pennsylvania Avenue.

Thank you very much.

Chairman INOUYE. I recognize the distinguished gentleman from Michigan, Mr. Broomfield.

STATEMENT OF HON. WM. S. BROOMFIELD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. BROOMFIELD. Thank you, Mr. Chairman.

As these public hearings finally get underway, I hope we can now move more quickly to determine the truth, assign responsibility for what happened, and then put this matter behind us. The American people deserve no less.

Because of the seriousness of this investigation, the Congress has proceeded carefully, respecting the legitimate concerns of the special prosecutor that important evidence be safeguarded for possible criminal trials. However, as important as the special prosecutor's role is, Congress also has an important role. Congress and the country cannot be held hostage to this single issue indefinitely.

The national preoccupation with this matter hangs like a dark cloud over our government, diluting its effectiveness in dealing with domestic problems and weakening our position in the world arena.

Our responsibility now is to see that the facts are laid out clearly and completely for the American people. They are capable of arriving at their own judgments about the wisdom of the policies that spawned this tragic affair. Let the chips fall where they may, but let's get on with it so that government can return to governing effectively.

President Reagan has been open and above board in his desire to cooperate. In fact, his decision to waive executive privilege regarding confidential matters with his closest advisers was a great help to our investigation and almost unprecedented in our history. Some basic facts are clear. In hindsight the President's decision to sell arms to Iran was clearly a mistake.

I have served now under seven different presidents, Republicans and Democrats, and I can say that all of them have made mistakes at one time or another. While some of President Reagan's advisers were motivated by the hope of improving relations with Iran, they succeeded only in undercutting our relations with our allies. The United States cannot have a strong and effective policy of combating terrorism if we secretly trade arms for hostages; and that is exactly what happened.

Although it is clear that the President's decisions over time were driven by compassion for the hostages and their families, it is equally clear that the sale of arms to Iran was the wrong decision based on faulty advice from a system that had been short-circuited.

If the White House had followed standard procedures in developing the Iran initiative, which provide for a coordinated review by the National Security Council and discussion with the Intelligence Committees of Congress, in my judgment this disaster probably could have been avoided.

The other side of the investigation, the diversion of government funds and the financing of military equipment for the Nicaraguan resistance from private funds, also paints a very disappointing picture. We are a nation of laws. Regardless of our position on the United States' policy in Nicaragua, we are all required to abide by those same guiding principles.

Those involved in circumventing the law did a great disservice to the President, the Congress, and the American people. Over the course of the coming weeks, some of those individuals will be called before this committee so that the American people may judge their guilt or their innocence.

Our responsibility will be to hear them out with an open mind, respecting their reputations and rights as individuals, and resisting any temptation in the glare of national attention to jump to hasty and unfair judgments.

Most of all, I hope we can move in a straight line to the truth of the central questions before us without any detours and without any further delay.

[The prepared statement of Mr. Broomfield appears at p. 388.]

I call on the senior Senator from Georgia, Sam Nunn.

STATEMENT OF HON. SAM NUNN, A UNITED STATES SENATOR FROM THE STATE OF GEORGIA

Mr. **Nunn**. Thank you, Mr. Vice Chairman.

I commend you for your unique and I think, unprecedented having the House and the Senate join together in a spirit of complete cooperation.

This staff has been assembled very rapidly but we have, I think, a great dual blessing in Arthur Liman and John Nields, and the people they put together.

I think in exemplary fashion they have done splendid work. I share the views of my colleagues already expressed by that diligent work which we will, of course, be examining in detail in the coming days and weeks.

Our task is a serious and solemn task. That has already been said and said eloquently. All of us would like to see our hostages returned.

We hope and pray for that every day. All of us would like to see democracies in Central America; but we cannot abuse democracy at home in the pursuit of democracy abroad. The central issue thus becomes whether this administration upheld the law or flaunted the law. In addressing this issue, we have to ask tough questions. I think they fall in the category of three general areas.

Questions about the administration's regard for the rule of law. Questions about the administration's competence in the conduct of foreign policy. And questions about the President's responsibility for these events.

Mr. Chairman, this is certainly not a pleasant task, but it is a very important task. The questions we will be asking go to the heart of our constitutional system. And answers we get and what we as a nation do about those answers will tell us a great deal about ourselves.

Thank you.

[The prepared statement of Mr. Nunn appears at p. 393.]

Chairman **Hamilton**. I recognize the distinguished Majority Leader of the House of Representatives, Mr. Foley.

STATEMENT OF THE HON. THOMAS S. FOLEY, A UNITED STATES REPRESENTATIVE IN CONGRESS FROM THE STATE OF WASHINGTON

Mr. **Foley**. Mr. Chairman, I compliment the joint staff and compliment the leadership of the committee on both sides of the aisle. I share the views of almost all the members who have spoken before.

I have no further opening statement.

Mr. **Rudman**. I call on the senior Senator from Alabama, Senator Howell Heflin.

STATEMENT OF HON. HOWELL T. HEFLIN, A UNITED STATES SENATOR FROM THE STATE OF ALABAMA

Mr. HEFLIN. Mr. Chairman, the burden we undertake today is a heavy one, the process historic, the outcome both important and uncertain. The duty is not one from which we can shrink. It is one, however, which we can most definitely mishandle.

Senator Sam Ervin stated,

> The congressional investigation can be an instrument of freedom, or it can be freedom's scourge. A legislative inquiry can serve as the tool to pry open the barriers that hide governmental corruption. It can be a catalyst that spurs Congress and the public to support vital reforms in our nation's laws. Or it can debase our principles, invade the privacy of our citizens and afford a platform for demagogues and the rankest partisans.

Hopefully the work of these committees will be attuned to the highest precepts that should guide congressional inquiries.

We are here today to begin a process of investigation, of affirmation and of restoration. A legislative investigation in a democracy can be a salutary event. Done properly, it can have a cleansing effect. If there is corruption or malfeasance, it can open it up, expose it, cleanse it—and, importantly, begin the process of healing.

In carrying out this function, I believe it is appropriate to have a three-pronged approach: one, seek the truth; two, find the truth; three, report the truth.

In 1922 Senator Robert Lafollete urged his colleagues to launch a congressional investigation into alleged abuses of authority. "No matter whom it hits or hurts," he said, "let us have the facts. The American people will be satisfied with nothing less."

As the truth is found and told, we may well conclude, sadly, that in the course of pursuing democratic principles in foreign lands, we may have subverted them at home.

Second, these hearings are about affirmation. Yes, they are about rogue elephants, Persian rug merchants, loose cannons, soldiers of fortune, privateers, believers, hostages, Contras. But they are also about separation of powers, national security, fifth amendment rights, allegations of misconduct, charges of cover-up, the right to know, and, importantly, they are about the rule of law, passion for the rule of law.

Yes, these hearings are about the elevation of respect for the rule of law and constitutional principles above ideology and power.

These hearings are about Iran and contras, but they are also about affirming some fundamental American values: honesty, openness, truth, credibility, and the sacred covenant of a trust a President makes with the American people when he asks for and receives their vote and when he vows to see that the laws of the land are faithfully executed.

We are here, then, to affirm two fundamental truths upon which our republic was founded: one, that a nation of laws does not permit officials of the Government to act above the law; two, that a nation of laws does not permit official acts outside the law.

Third, we are involved in a process of restoration. This healing procedure may be painful and take time, but hopefully at the end we will be proud of restoring order to a disorderly process of decisionmaking; trust by our allies in our word as a nation; and, most importantly, of restoring trust by our people in their Government.

Mr. Chairman, there will be those who say our motives are political. I am convinced the vast majority of this panel is looking out for interest first, rather than party.

To the critics I would say this. I would take no joy in seeing any administration crippled. I would take no joy in seeing our entire Nation being embarrassed in the court of world opinion as in recent weeks we have, as in coming weeks we further will be.

Let the process of investigating publicly go forward. Let the process of affirming begin and let us undertake the important process of national cleansing and healing.

Thank you.

Chairman HAMILTON. I recognize the distinguished gentleman from Illinois, Mr. Hyde.

STATEMENT OF HON. HENRY J. HYDE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF ILLINOIS

Mr. HYDE. Thank you, Mr. Chairman.

By way of preface, I am not yet ready to confine this administration to the tomb. So what I have to say may break step with what is becoming a bipartisan funeral march for the administration.

I don't condone and I will condemn with the most righteous of you the unwise, improvident and even illegal actions some in the administration may have committed. But there are overriding considerations that I hope are not lost sight of as we move deliberately toward judgment.

Mr. Chairman, it is inconceivable that this sort of inquiry could occur anywhere else in the world. It is both a compliment and a temptation. It is a temptation to try to make policy points which are extraneous to the narrow focus of this investigation. But if we do our work in a disciplined way as people who are sworn to preserve and protect the Constitution, we and the country will come out of this with a strengthened Presidency and a strengthened Congress.

However, if this becomes the occasion to conduct civil war by other means, we will have a weakened Presidency and do no credit to ourselves. We will also weaken the confidence of other people and other nations that our democracy can really work.

Our Founding Fathers fashioned this country so that there would be tensions between the executive and legislative branches. But there are creative tensions and there are destructive tensions.

We have had an example in the last 14 years of how extra-legal activity on the part of the executive branch can lead to a destructive tension between the President and Congress, the result of which has weakened the Presidency and filled Congress with the delusion that it knows best when it comes to foreign policy.

I don't want to shatter the glow of bipartisan amity that suffuses this chamber when I suggest that when 535 cooks try to prepare their version of a foreign policy broth, you had better approach it with a very long spoon.

Parenthetically, Mr. Chairman, I have always felt the famous Dear Commandante letter sent to President Ortega, whom some think is Walter Reuther with a Spanish accent, and signed by about twelve of the leaders of the majority party, was a classic example of a private foreign policy, at least quasi-private.

These hearings will not explore what our inconstant policies mean to the Contra campesino in the mountains wondering whether he will have any food or ammunition next week, nor the consequences of our unpredictability on our allies. Unfortunately we will not examine the plight of a President who correctly perceives the threat to democracy and our own national security by Soviet domination of the land bridge between North and South America and who confronts a recalcitrant Congress, a Congress whose schizophrenic notions of fighting communism include resistance in Afghanistan and Cambodia, 12 time zones away, but none in our own hemisphere.

We may well wonder whether our form of democracy is equipped to survive in a dangerous world when we cannot keep a secret, and other countries whose trust we need become increasingly loath to cooperate.

I do not wish to be understood as defending everything that was done by members of this administration, some of which did not serve our country well. And some of what was not done, such as the failure to notify Congress, also did not serve our country well.

And the very cause they and some of us so deeply believe in—democracy in Central America—may have been irreparably harmed by their actions. But I am convinced the controversy we are about to investigate does not have to do at bottom line with who broke what law. That is an important dimension of our work, and we will find the answers. What we don't find, I am sure Judge Walsh will.

But this debate is not essentially about narrow questions of legality. It is about some passionately held beliefs, one of which is the conviction that democracy and freedom will survive and flourish in our hemisphere and how best to achieve this.

When all this is over, Mr. Chairman, perhaps we will have a more united country. I know of no group of people more adequate to this task than the Congressmen and Senators serving on these two committees, and I am honored to be among them.

Thank you.

Chairman INOUYE. I am now pleased to call upon the Senior Senator from the State of Maryland, Hon. Paul Sarbanes.

STATEMENT OF HON. PAUL S. SARBANES, A UNITED STATES SENATOR FROM THE STATE OF MARYLAND

Mr. SARBANES. Mr. Chairman, as the select committees begin public hearings on secret military assistance to Iran and the Nicaraguan opposition, it is the responsibility of this inquiry to develop as complete and accurate a narrative of the facts as can be established.

This will better enable the Congress and the American people to make an informed judgment on these events and to reach conclusions about what must be done to set the situation right.

Important work has already been done by other committees of the Congress and by the Tower Commission, and I want to acknowledge their significant contributions.

I also want to acknowledge the leadership of Senators Inouye and Rudman and Congressmen Hamilton and Cheney in assuring a fair and careful inquiry.

In the course of reconstructing fully and accurately the chain of events, there are a number of basic questions that need to be asked:

One, how was policy made?

Two, how were policies carried out?

And finally, who was making policy and who was carrying it out?

We need to understand the process—or lack thereof—by which policy was made and implemented. What occurred was not only a breakdown—or put more accurately, a deliberate breaking down—of the checks and balances between the executive and legislative branches of our Government, but also a breaking down of the checks and balances within the executive branch itself.

Established procedures were circumvented, internal controls were ignored, a private unaccountable network to raise funds and to supply arms was established to carry out major segments of American foreign policy.

Furthermore, the policy actually being pursued secretly was sharply at odds with the policy publicly stated to the world and to our people.

These questions as to how decisions were made and implemented and by whom are central to our inquiry because they go to the fundamental issue of how our system of free self-government is meant to function. The complex system of checks and balances set out in the Constitution, the sharing of powers between the executive and legislative, was designed expressly to place a restraint on power and to result in better decisions for our people.

Especially in this bicentennial year of the Constitution, it is critical to remember that no substantive end, no particular policy, however zealously desired, can justify undermining the principles which are at the heart of our democracy.

[The prepared statement of Mr. Sarbanes appears at p. 395.]

Mr. HAMILTON. I am pleased to recognize the distinguished Chairman of the House Judiciary Committee, the gentleman from New Jersey, Mr. Rodino.

STATEMENT OF HON. PETER W. RODINO, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. RODINO. Thank you, Mr. Chairman. The question which has been asked most frequently since the November disclosures of the Iran-Contra affair has been is this another Watergate. Sensitive to my role as a member of this committee, I have been scrupulously reluctant about any comments I might make until I had had sufficient opportunity to examine the considerable body of evidence at hand and to weigh and analyze certain uncontroverted facts, which have come to our attention.

Based on this examination, there has already emerged a picture or pattern of questionable conduct, of illegality and wrong doing reaching all the way into the White House, raising serious questions concerning possible knowledge and involvement on the part of the President.

We have already learned that there has been a diversion of funds to the Contras from the sale of arms to Iran, which appears to be a violation of our laws. We have also learned that as a consequence of the ongoing investigation by the independent counsel, a guilty plea to a criminal conspiracy to defraud the Government has been entered into by Mr. Channel, fundraiser of the National Endowment for the Preservation of Liberty, naming Colonel North and other individuals connected with the White House as co-conspirators.

These actions by high-ranking officials and others connected with them cut to the very heart of our constitutional system and represent a serious breach of public trust. This public inquiry is therefore not only essential to help restore that trust, but to assure the American public that no one is above the law.

Some in this country and outside of it have lamented that America may become bogged down in what they call its relentless self-investigatory ordeal. When laws are broken, or conveniently ignored, when the people and their elected representatives are deliberately bypassed in the informational process established and required by our system, when secret actions replace regular foreign policy making channels.

Then those responsible, no matter who, must be held accountable to the sovereign people under the laws of this land. The need for and the importance of a thorough, careful, and non-partisan public investigation cannot be overemphasized. The larger issues raised are not simply the coherency of American foreign policy in the Middle East or Central America, though those policies are of great importance.

The fundamental questions opposed just as in the Watergate crisis have to do with the executives misunderstanding of the rule of law. Nothing undermines our representative system of government more than actions taken by officials entrusted with the reigns of Government, which even for purposes believed to be good, or designed to set aside the law, distort, or ignore it, and for all the inconsistencies of policy, for all the arrogance of power exhibited by certain administration officials who secreted these schemes from the open purview of the Congress and the American people, only our adherence to the rule of law can, in the end, restore the people's trust, which has been so sorely impaired.

Finally, in this year, when we celebrate the Bicentennial of our Constitution, I reflect back on that moment in history when Benjamin Franklin was asked by Mrs. Powell of Philadelphia, "What have you given us, Doctor, a monarchy or a republic?"

Franklin replied, "A republic, if you can keep it." Franklin's warning is more than historical rhetoric. While we may not want to emphasize or overemphasize the damage to the public trust, we cannot afford to trivialize or ignore its consequences. So as painful, as time-consuming, and as drudging as this investigation may be, let us proceed carefully and thoroughly remembering our own public trust and our own responsibility.

Thank you.

Chairman INOUYE. I am now pleased to call upon the distinguished Vice-Chairman of the Senate Committee on Intelligence, the gentleman from Maine, Senator Bill Cohen.

STATEMENT OF HON. WILLIAM S. COHEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

Mr. COHEN. Thank you, Mr. Chairman. Many journalists have been asking the question recently why have these hearings. Will there be any new dramatic revelations? Is this just another case of Congress trying to tie up Gulliver with trivialities? And finally, won't the American people be bored?

The answer is that our purpose is not to entertain, but to inform; not to electrify the electorate, but to educate our citizens about the importance of our institutions, about the reverence we must have for the rule of law, about the consequences of amputating the checks and balances in our system that guard against arbitrary or illegal action.

Walter Lippmann reminded us that,

> The great virtue of democracy—in fact its supreme virtue—is that it supplies a method for dragging realities into the light, of summoning our rulers to declare themselves and to submit to judgment.

These hearings, in my judgment, are not intended to serve as a brass band parade or a funeral march. Mr. Chairman, the Government in this country is based upon the consent of the governed. Consent is meaningless unless it is informed consent. There are times when a President must act covertly to promote our security and to protect our lives. But when major policy is constructed behind closed doors by a few men and carried out by either patriots or profiteers in the shadowy world of covert action, then the American people may belatedly discover that an unwise course of action has been undertaken without their knowledge, without their consent, and against every intuitive sense of propriety.

Moreover, when major policies are not openly debated and formulated, when financing for an undisclosed program comes from private pockets or foreign treasuries, there are promises—expressed or implied—that are made in our name. At some point, at some time, a quid will be called for the quo.

Why should private individuals or foreign countries support the Contras? What is the price of their good will? What measure of compensation will be exacted? Will the cost be affordable or consistent with our ideals or our interests?

The story that has unfolded is not titillating. It is disheartening, in several aspects. First by allowing arms to be included in the effort to obtain American hostages, we engaged in an act of folly and hypocrisy. America's back was placed on the cruel rack of extortionists. Everyone knows an extortionist's price is never paid. It will always be another load of weapons for another group of victims.

Moreover, by openly advocating a policy of not dealing with terrorists and their sponsors, and then covertly practicing another, we undermined our ability to lead the free world in building an effective and unified policy to defeat the threat of international terrorism.

With respect to the Contra aid program, it will become clear that so much time was spent on secrecy, so much time wasted on evasion, so much money was misdirected—or remains missing—there was little chance left for competence in providing effective military assistance to the Contras.

It was not only the American taxpayers who were deceived by fraudulent charitable organizations and Congress that was actively misled about the sources of the Contra funding, but the Contras themselves who were filled with false hopes and empty promises.

As Senator Inouye has pointed out, a portion of Congress' house is constructed of glass. While a majority of Congress' Members wanted to be on record in opposition to the Contras, they were unwilling to accept responsibility for terminating all assistance.

As a result, the administration aggressively searched through the shifting restrictive funding conditions set by Congress and exploited every ambiguity in the law to carry on its policy of military and paramilitary support.

These hearings will help determine whether the administration's moral zeal obscured its collective judgment and whether the perceived nobility of its purpose led some individuals into the zone of lawlessness.

The laws we pass may not always be wise. But unless they are faithfully followed, we inch closer to despotism or anarchy where the freedom and safety of our citizens is equally at risk.

If public officials are free to ignore the law, to stultify it, to twist or disfigure its meaning in the name of superior motive or righteousness of cause, then we invite our undoing.

It is conceivable during this year of celebration of our Constitution that the American people will be bored with the information, that the ratings of the networks will slip, that the demand for daytime drama will force the klieg lights in this room to be dimmed. Tedium may try the patience of the people we represent.

I don't believe that will happen. But even if it should, we have the obligation to continue to present a full disclosure of the evidence so that the governed can be assured that they will get precisely the kind of government they choose and deserve.

Thank you.

[The prepared statement of Mr. Cohen appears at p. 397.]

Chairman Hamilton. I recognize the distinguished Chairman of the House Government Operations Committee, The gentleman from Texas, Mr. Brooks.

STATEMENT OF HON. JACK BROOKS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Brooks. Thank you very much, Mr. Chairman.

Thirteen years ago, a former colleague of ours became President of the United States under unprecedented and trying circumstances. Gerald Ford took the opportunity that day to remind us that ". . . truth is the glue that holds government together; not only our Government, but civilization itself."

Today, the Congress is proceeding on an extraordinary exercise of its constitutional power to investigate activities of the executive branch. This time we are looking into the secret delivery of arms to a hostile nation, dealing with terrorists for the release of hostages, and the diversion of funds to a civil war in Central America.

Once again, the fundamental issue is truth. If the Congress and the American people cannot trust the word of those who lead us; if we cannot trust them to work within the system of our government; and if we cannot trust them to obey the spirit as well as the letter of the law of the land, then nothing stands between us and tyranny.

The story of the Iran-Contra affair as it has unfolded in the past six months is the story of a group of people who, in their zeal to accomplish their personal goals, turned their backs on our system of government.

When they couldn't justify their policies publicly, they simply hid their activities from the American people, from the Congress, even from key officials within their own administration.

When they couldn't muster the political support to continue military assistance in Central America, they simply "privatized" the effort, collaborating with individuals outside the established processes of government in an attempt to shield their actions from the accountability that our three-branch system of government provides.

When they couldn't defend their actions with truth, they simply lied—to us and to each other. We just can't let stand the obvious statement that "mistakes were made" in our dealings with Iran and in our activities in Central America, as if those mistakes materialized out of thin air untouched by human hands.

Our job is to provide the "what," the "when," the "how," the "who" to go along with "mistakes were made," and to put those facts on the table. Otherwise, we run the risk of letting those mistakes happen again at sometime in the future. And that is something that we as a Nation cannot afford, that we as a Congress must work to prevent. To do our job we need the facts and we need the truth.

Chairman **Inouye**. It is my pleasure now to present the distinguished Chairman of the Senate Committee on Intelligence, the gentleman from Oklahoma, David Boren.

STATEMENT OF HON. DAVID L. BOREN, A UNITED STATES SENATOR FROM THE STATE OF OKLAHOMA

Mr. **Boren**. Thank you very much, Mr. Chairman. Yesterday, as I was walking through the Tulsa Airport on my way back to Washington from Oklahoma, a man stopped me to ask: "Senator, what possible good can come from those hearings that are about to begin?"

I think I understand—I do understand why he asked me that question. Perhaps he was thinking of the pain, the disappointment, the divisiveness that hearings like these often leave in their wake. Perhaps he was thinking about the time and attention which will be given to these hearings, and the possibilities as others have said today, that we could be diverted from dealing with the serious economic problems and other challenges we face as a nation.

The man in the airport may have been worried that this committee might give into the temptation to conduct a political circumstance instead of seeking the truth in a fair and impartial way. Good will result from these hearings only if all of us are determined to stay on the right course. It will be good for the country if we can demonstrate that members of Congress are capable of substituting statesmanship for politics as usual.

We must demonstrate by our actions that there are no Democrats and there are no Republicans on this committee, only Americans. Good can come from this process if we complete our work with the understanding that we must rebuild, as the chairman has said, the concept of a bipartisan foreign policy based upon mutual trust between the Congress and the President.

Another positive result of this query will be the strengthening of the oversight process. As the chairman has mentioned, since January I have had the responsibility of chairing the Senate Intelligence Committee. That committee has already moved in a constructive way to improve the oversight process. With the executive branch we are now developing an independent audit capability for the committee in regard to covert action programs, and we have put in place new procedures regarding the form and content of covert action notifications.

The Intelligence Committee will conduct a full set of hearings on the oversight process when this committee finishes its work. Above all, the investigation we begin today will make a lasting contribution to this Nation if we finish it with a deeper understanding of our constitutional system and a stronger determination to protect and preserve it. It is my sincere hope that every school student, and, indeed, every citizen who watches these hearings will come away with a greater understanding of our Constitution in its bicentennial year.

These hearings should be a learning process for all of us so we can avoid making the same mistakes again in the future. Under the Constitution we as Americans make policy decisions by passing laws through Congress. The President, under Article II of our Constitution is charged with the duty, and I quote now, the Constitution, "to take care that the laws be faithfully executed." No one—Presidents, Members of Congress or any other official of our Government—is given the right under our Constitution to try to get around the law.

That is what we mean when we say, as others have said today, that we are a government of laws rather than of men. We may sincerely believe that Congress is wrong in passing a certain law, but not even good intentions can justify any of us in substituting our own judgment for the process set out in the Constitution.

When any part of government is allowed to systematically ignore or evade a law simply because it does not like it, our Constitution and the protection which it affords to all Americans is eroded and in danger. These hearings will be of lasting benefit if, as a result all of us across this country renew our commitment to vigilantly defend the rule of law against all attempts to undermine it. Thank you, Mr. Chairman.

Chairman HAMILTON. I recognize the distinguished gentleman from New Jersey, Mr. Courter.

STATEMENT OF HON. JIM COURTER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW JERSEY

Mr. COURTER. Thank you, Mr. Chairman.

What we learn from these hearings is more important than the hearings themselves. The facts are indeed important, but the lessons that come from these facts are essential.

One thing we should learn here is that there is always tension between two legitimate constitutional needs. On the one hand is the administration's need to protect classified information, sensitive programs, and covert operations; and on the other hand is the need for congressional knowledge and oversight.

Congress has a right to know how the Chief Executive is conducting the Nation's business. That need must be met with confidence and nondisclosure where necessary. When a harmonious relationship between Congress and the President breaks down, everything suffers.

The administration doesn't give and Congress does not get important information. Programs are scrubbed and Congress' sensitive operations are damaged; foreign governments distance themselves from the United States; America, indeed, loses.

Second, we should learn that when the Constitution is working the Chief Executive has primacy in foreign policy. But Congress also indeed has a role.

But this relationship has been changing. Congress has been pushing for a wider role in foreign policy with the War Powers Act, the Clark amendment, and similar types of restrictions.

What can we learn from this trend? What are its fruits? And, finally, what about the President, this President, any president?

When Ronald Reagan was elected President in 1980, a major reason was his understanding of what was wrong at that time and his clear vision as to how to change it for the future. But instead of taking the case for the Nicaraguan freedom fighters to the people, Ronald Reagan's administration went covert. It seemed easier for Reagan's White House to find holes in the Boland amendment than to challenge the wisdom of that measure, its isolationism and its constitutionality.

In fact, the Reagan administration's whole foreign policy approach is marked by a kind of camouflage, by refusal to take America into its confidence to say what must be done and then simply to do it.

Candidate Ronald Reagan said he wanted to turn the ship of state around. The captain of this administration has been turning it so slowly that he hopes no one will notice. Ronald Reagan said he wanted to support the freedom fighters in Angola. Yet, it was Congress without Reagan's support that repealed the Clark amendment.

Mr. Reagan said that the Soviet Union was an evil empire that couldn't be trusted to keep its agreements. Yet, Congress had to force Ronald Reagan to publish Soviet violations of arms controls agreements.

Ronald Reagan once said he wanted the communist Sandinistas to cry "uncle", yet it was his administration's policy to use the freedom fighters only to interdict arms shipments to El Salvador, to pretend we weren't mining Nicaraguan waters against Soviet, Cuban ships and to rely on the Contadora process to push the Soviets out of our own hemisphere.

It was the President who traded a spy for an innocent journalist kidnapped by Gorbachev and said he didn't make a deal.

It was his administration that stood by when Major Nicholson died on the concrete in Berlin, and when petty officer Stathem was murdered by terrorists in Beirut, and when a passenger plane was shot from the skies over the Sea of Japan.

It was Ronald Reagan who then ran to Reykjavik at Gorbachev's command. Ronald Reagan chopped down trees in 1980 and hinted what he would do to Iran if the hostages weren't returned. Yet, Ronald Reagan's administration is being chopped down by its secret eagerness to trade with terrorists while publicly denying it would ever do so.

This administration's lack of frankness sometimes appalls me. Ronald Reagan should have had the courage of Ronald Reagan's own convictions. You just can't sneak policy up on the American people.

Who but Ronald Reagan is to blame for jeopardizing that which he himself wanted to do? It didn't take Congress long to discover this White House was empty. In politics, too, nature abhors a vacuum. Congress ran in to fill it with the Boland amendment, with restraint on new weapons procurements, lately with a threat of forcing America to live within the Salt II Treaty limitation.

When the President has abdicated, the solution is simple: let Congress be President.

It may seem odd, but the Constitution only works when each branch stands up for its proper powers and its proper rights. When the President uses cooperation as an excuse to give up its foreign policy, the executive branch loses its ability to conduct foreign policy altogether.

This is where President Reagan has brought us in our Constitution's bicentennial year. If these hearings shed light on the issue of how the Constitution balances foreign policy power, if these hearings initiate fresh debate on the deepening threat to our country from Soviet aggression in Central America as well as Soviet destabilization in the Middle East, then we will have served a transcending purpose in reviving the constitutional order and making it possible to give the American people the effective antitotalitarian proper democratic in foreign policy that they want and that they richly deserve.

Thank you.

Chairman INOUYE. It is my pleasure to present the distinguished Senator from the State of Utah, the Honorable Orrin Hatch.

STATEMENT OF HON. ORRIN G. HATCH, A UNITED STATES SENATOR FROM THE STATE OF UTAH

Mr. HATCH. Thank you, Mr. Chairman.

I am delighted to be here and try to get to the bottom of the facts of this particular matter. This is our Constitution's bicentennial year, and I suspect that this will be one of the great exercises with regard to the Constitution during that particular year.

There are a lot of constitutional issues involved here. A lot of cross collection between the various branches of government.

There are a lot of interesting aspects, due process rights. There are a lot of considerations of rights, responsibilities and, of course, work between the various branches of Congress.

For over the past several months, ever since this story broke, I have watched the events, the events have been debated and reported in the media in great detail.

Scarcely a day has passed in the last six months without a major story appearing in the Washington Post and many other major publications on every conceivable aspect of this story.

I think, frankly, we have overdone it. We have become obsessed with this affair. This isn't to say the questions aren't important.

Of course they are; and I hope we will answer them here. But whereas a measure of public self-flagellation may be constructive, we seem to have turned it into an art form.

We must of course examine our mistakes and learn from them. But as much as a certain small segment of our country seems to want to keep this controversy alive, I have a strong belief the average American doesn't feel that way at all.

In my frequent travels back home to Utah, for example, I get the real feeling that the vast majority of Americans out there are sick and tired of hearing about this affair. They would like to see us put a merciful end to the public inquiry and get on with the business at hand.

In my mind, there are two questions for us to try to answer: What did the President know? And where did the money go? Almost everything else centers on those two questions.

There are many other questions, of course. But I hope we can answer all questions as soon as possible. I have every confidence under the chairmanship of the fine chairman and vice chairman, we will be able to do so.

In the process of answering these questions, I expect we will reveal a rather intriguing story, or should I say, a set of stories. I think these stories will illustrate some of the serious pitfalls that flow from a system where crucial foreign policy decisions and operations are entrusted to lower level officials and private individuals acting under a shroud of secrecy and a cloud of quasi-authority.

In the end it appears that the over zealousness and mismanagement made their appearances. Greed and corruption also made their appearance in the case of the Iranian middlemen and made a desperate situation even worse.

After we have heard all the facts, we should examine them carefully and take whatever corrective steps we should. If we need legislation let's pass it on and get on with it. We need to take constructive action while looking ahead, not destruction action while looking back. I compliment the chairmen and the vice chairman of these Select Committees. I want to say they have done an outstanding job of putting together these hearings. They have developed a spirit of cooperation between the two committees that is admirable and in my experience unexcelled in Washington's history. They have outlined an ambitious program to effectively communicate to the American people what actually happened.

I would again like to call the attention of everybody to the constitutional issues involved here.

They are grave and important. There have been some very important directions given by the Congress in these areas.

As you look at the laws we have passed, they have been in some respects inconsistent and contradictory. Congress itself must share some of the responsibility with regard to the problems here, and there are some problems here. But if we will get to the bottom of them, and dispose of them, I am convinced we can get this administration moving in a positive, forward direction again.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Hatch appears at p. 404.]

Chairman **Hamilton**. I recognize the Chairman of the House Select Committee on Intelligence, Mr. Stokes of Ohio.

STATEMENT OF HON. LOUIS STOKES, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. **Stokes**. Thank you, Mr. Chairman.

Mr. Chairman, this city has seen many events. It has seen and shaped the direction of American politics.

So it is fitting this joint committee address the issues arising from the covert sale of arms to Iran in such a setting. This setting, however, and these hearings would never have taken place had the executive branch of our Government adhered to the safeguards in our constitutional form of government.

I come here today troubled by the events which led to the firing of Colonel Oliver North and the removal of Admiral John Poindexter as Director of the National Security Council.

I come here concerned about the conduct of operations in support of the Contras being run out of the basement of the people's White House. I come here concerned about this operation leading to the appointment of a special prosecutor to conduct a criminal investigation which has already resulted in one conviction.

I am concerned about the conduct of officials in the executive branch of the Government who not only circumvented the law prohibiting aid to the contras but in doing so, also diverted funds. But even more than that I am concerned about the flagrant disregard for current law which required Congress to be informed of their engagement in this covert activity.

It is this flagrant disregard for the responsibilities imposed upon Congress under our Constitution that brings us to this forum today. Implicit in the responsibilities imposed upon both the executive and the legislative branches of our Government is the trust the American people have reposed in both branches of government.

Not only will these hearings reveal that Congress did not know of these activities, but in the exercise of their oversight responsibilities were misled and deceived by the executive branch of the Government. Our constitutional system of checks and balances was designed so as to protect the American people from the frailties of men.

Ours is a nation of laws and under our system no man is above or beyond the law. The trust granted those officials by the American people is a critical factor in the foreign policy of the United States.

Under our Constitution is the President, who has the executive power of Government in the area of foreign affairs. But the Constitution does not make an absolute grant of presidential authority in foreign affairs.

The Congress, too, has certain well-defined powers. Only Congress can declare war. It is the Congress who must appropriate funds for the conduct of foreign policy.

It is in the exercise of its constitutional powers that the Congress has the authority to limit the President in its conduct of foreign policy as it did with the Boland amendment. But, more than the legal arguments and debates around the Boland amendment, and the requirement to give notice of covert actions to Congress is a more fundamental issue in a democracy, the ultimate question to be answered in these hearings is not the question being bantered around in the media of whether the President knew, and if so, when did he know?

That question will be answered. The more important question to be answered for the American people is whether by the President's actions and the actions of others they broke their trust with the American people by becoming ungoverned by law.

Thank you, Mr. Chairman.

[The prepared statement of Mr. Stokes appears at p. 407.]

Chairman INOUYE. It is now my pleasure to present the distinguished Senator from the State of Virginia, the Honorable Paul Trible.

STATEMENT OF HON. PAUL TRIBLE, A UNITED STATES SENATOR FROM THE STATE OF VIRGINIA

Mr. TRIBLE. Thank you, Mr. Chairman.

Mr. Chairman, I think for most of us these hearings today involve far more than people and arms and policy and law. More profoundly, ours is an act of keeping faith—for faith in our institutions, by those who govern and by those who are governed, is the very foundation of this republic.

Those who consent to Government must be certain that the power of Government will be used justly and that our policies will reflect common agreement.

That faith that has sustained us for more than 200 years and is the reason why our Nation serves as a model for all those who aspire to freedom. Should we fall from that faith, it is essential that we right our course, for our citizens must know that our institutions serve constitutional purposes and the common good.

Restoring this faith, or in the words of Madison, "obliging government to control itself," is a task of the greatest delicacy. Our hearings will have immense consequences for public opinion, for the proper role of Congress in overseeing the executive branch, for the conduct of foreign policy.

Yet despite its delicacy, this inquiry is indelibly American. Our procedure is a constitutionally sanctioned and traditionally recognized method for the people to remedy defects in their government. In fact, in no other nation of the world would government inquiry into foreign policy be so open for people to see and to judge and, in so doing, to reaffirm their principles and their faith.

This is America, not at its basest, but at its best.

A troubling theme for me, for many of us, is that throughout these events there is the apparent belief the executive branch alone knows best, that the Congress and the American people have no business being entrusted with the shaping of foreign policy, and where the cause is righteous the law cannot be allowed to stand in the way.

That idea challenges the very essence of our democracy, for in a free society the end does not justify the means and we can never hope to advance freedom in the world by ignoring the rule of law at home.

That, after everything is said and done, is what brings us together here today.

Mr. Chairman, I want to applaud your leadership and that of Senator Rudman and your counterparts in the House of Representatives. You, more than anyone else, are responsible for the bipartisan spirit that has marked our deliberations thus far.

I trust that we will continue to act not as Republicans or Democrats, but as Americans first. We must pursue the truth wherever it leads us, with vigor, fully, fairly and with dispatch. And then let's stand aside and let's let the nation move ahead with its other pressing business.

I thank you.

Chairman HAMILTON. I recognize the distinguished gentleman from Florida, Mr. McCollum.

STATEMENT OF HON. BILL McCOLLUM, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF FLORIDA

Mr. McCOLLUM. Thank you, Mr. Chairman.

I am just as restless as many of you. My stomach is just as hungry. I will be brief. I do want to make a few remarks this morning.

Undoubtedly in the Iran arms deals and related Contra matters, some major mistakes of judgment were made, and it appears some individuals broke some laws.

However, our mission is not to determine whether any laws were broken. That is the responsibility of the special counsel, or the independent counsel, as we call him. Our purpose is to lay out for the public all the facts, to provide answers to the remaining unanswered questions, and to address the broad policy issues raised by these matters.

For many, the question is: Has the President been telling the truth? This question we must find answers to. However, there are some other questions that are equally important to us.

A number of witnesses we will hear are highly disciplined, highly trained, bright men who have had exceptional careers with our Government. In the conduct of foreign operations, we have a system that includes the Central Intelligence Agency, the Defense Intelligence Agency, and a number of special operations forces.

Many of the men involved in this matter have been a part of this system. Yet in this case, they deliberately went outside the system. The obvious question is why? What were their motives? What were their concerns? What were their reasons?

Other key questions for us are: What should the role of a President in foreign policy be when he disagrees with Congress? How far can or should Congress go in restraining the prerogative of the President in the conduct of foreign policy? Are the apparent excesses of some of the President's men in this case a demonstration of the need for more restraint or the product of too many restraints already in place?

As these hearings proceed over the next few weeks, we must withstand the temptation to prejudge the facts. We are going to hear from a wide array of witnesses, and much of what they have to say is going to be quite complex.

Our committee is divided between two political parties, and during these hearings we must also restrain from the temptation to put partisan political spin on the facts that we hear.

My great respect for my colleagues on this panel gives me hope that we will be able to resist these temptations and that we will be able to proceed with and complete our task in the best traditions of this institution.

Mr. Chairman, because of this, it is a great honor to serve on this panel. I am looking forward to the hearings and to the witnesses that we are about to hear.

Thank you.

[The prepared statement of Hon. Bill McCollum appears at p. 411.]

Chairman HAMILTON. The Chair recognizes the distinguished gentleman from Massachusetts, Mr. Boland.

STATEMENT OF HON. EDWARD P. BOLAND, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MASSACHUSETTS

Mr. BOLAND. Mr. Chairman, the Civil War era Milligan case, the U.S. Supreme court noted that,

> The Constitution of the United States is a law for rulers and people, equally in war and peace. . . No doctrine involving more pernicious consequences was ever invented by the wit of man than that any of its provisions can be suspended during any of the great exigencies of government.

Today, we begin the public exposition of the Iran-Contra affair. Other committees of the Congress, in other times, have conducted similar inquiries. I think anyone who reviews those records could not help but be struck by the presence of a common theme. Proceedings like these are the consequences—the natural and probable consequences—of practices of deception.

In the coming months, we will hear from individuals who hold, or held, positions of responsibility in our government; individuals who as a condition to accepting those positions promised "to support and defend the Constitution of the United States."

But we will have evidence presented that may very well cause these committees and the American people to conclude that actions of those individuals, rather than defending the carefully crafted system of checks and balances that is the foundation of our Constitution, imperiled it.

We do not live under a system of government that allows the executive branch to pick and choose which laws it will obey and which it will ignore. And yet, we will hear evidence that may lead these committees, and the American people, to conclude that individuals in the executive branch of our Government saw the futherance of their policies with respect to Iran and the Contras as so important, the ignoring laws that would otherwise have been obstacles could be excused.

Being unwilling to subject those policies to the processes of review provided by law, they cloaked them in a mantle of secrecy that produced deception rather than reason, and led inevitably to this day.

Mr. Chairman, there is never a good time for proceedings such as these, for by their very nature they do not extol the virtues of governmental actions and those who fashioned them, but rather underscore their failures.

But perhaps this, our Constitution's bicentennial year, is not the worst time to remind the American people that there are principles which are intended to guide this Nation's government and which are more important than the exigencies of the day.

The value of these proceedings cannot be measured in Nielsen ratings or public opinion polls. No, the true measure of value will come on that future day when other administrations are faced, as they will be, with a choice between policy and constitutional principle.

To the extent that the memories and lessons of these proceedings guide that choice toward that which endures rather than that which is transitory, what we begin today will have advanced the great democratic experiment undertaken 200 years ago.

Thank you.

[The prepared statement of Hon. Edward P. Boland appears at p. 413.]

Chairman HAMILTON. I recognize the distinguished gentleman from Ohio, Mr. DeWine.

STATEMENT OF HON. MICHAEL DeWINE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. DEWINE. Thank you very much, Mr. Chairman.

We begin a process today that is really unique to the United States. In no other country would there be 3 months of televised hearings examining every detail of a foreign policy initiative. No other country would subject itself to such intense and critical scrutiny, such self-examination, but it is, Mr. Chairman, right and proper that we do this.

This, though, is a rare moment even for the United States. For example, after the Bay of Pigs disaster in 1961, no select committee was formed to examine those events. Rather, the Taylor Commission was established to review the actions of the executive branch. They did so behind closed doors and much of that report remains classified even today.

Both Congress and the President have a role to play in foreign affairs, but it is important, I think, as we begin these proceedings, to remind ourselves that the President is vested by the Constitution with broad discretion in the conduct of a foreign policy.

As set forth in the Federalist papers, the executive branch has the primary responsibility in international affairs.

As Alexander Hamilton argued,

> While the Constitution accords the Senate the duty to give advice and consent to treaties, the President retains all powers which the Constitution does not vest elsewhere in clear terms. The Supreme Court has described this power very simply and unambiguously.
>
> It is important to bear in mind that we are dealing not alone with an authority vested in the President by an exertion of legislative power but with the very delicate, plenary and exclusive power of the President as the sole organ of the Federal Government in the field of international relations, a power which does not require as a basis for its exercise an act of the United States Congress.

So, Mr. Chairman, we are here today at the start of this national examination. For 6 months, the stories have circulated, the innuendo, the speculation.

Sometimes when I read statements in the press, I really can't help but be reminded of the queen of hearts in Alice in Wonderland, and when the king asks for the verdict, she jumps in and says, "No, no, sentence first, verdict later."

Three months of hearings will produce all the basic facts. They will be revealed in uncompromising detail. If criminal actions can be demonstrated, I have every confidence individuals will be prosecuted. No one—no one stands above the law.

As the story unfolds, however, we must continually ask ourselves what do the facts really mean? What does this story really tell us? What does this story tell us about the implications of Congress' continuous efforts to gain more power in foreign policy? Is this story or these facts a natural consequence of Congress' attempt to gain control in the arena of international affairs?

As James Madison said, "Secrecy, energy, and dispatch are essential to success in foreign policy." And it is the President who is uniquely qualified to carry out these responsibilities.

What does this story tell us about how congressional schizophrenia in Central America, the on again/off again status of the Boland amendment? How has this perverted and distorted our foreign policy?

Did Congress vacillate like the Athenian Senate which condemned Socrates in hemlock one day and memorialized him in stone on another?

In 1969 and 1970, we gave to the Sandinistas. In 1981 and 1982, we gave to the Contras. In 1983 and 1984, we gave a little to the Contras, but only for nonmilitary activities.

In 1985, we gave no aid to the Contras. In 1986, we gave some humanitarian aid, some intelligence, and some communication equipment.

Now, in 1987, we are giving aid again. All the while, the Soviets are giving uninterrupted to the Sandinistas, to the tune of hundreds of millions of dollars.

What, Mr. Chairman, does this tory to the events we are going to hear tell us about the merits of aid to the Contras? Have the merits really changed because of what the private benefactors did or did not do?

The Sandinista regime continues its denial of basic human rights. It continues to hold power based upon the might of Soviet arms and not rights based on free elections.

They continue to encourage rebellion and subversion in neighboring countries. Their violations of the OAS Treaty, the Rio Treaty and the U.N. charter go unchecked.

What, Mr. Chairman, does this story tell us about the effects of Congress' attempt to legislate operational details in foreign affairs.

Has Congress in its zeal to have its say in international relations created a situation where those engaged in the execution of foreign policy must have lawyers by their side 24 hours a day? And what, Mr. Chairman, does this story tell us about the quality of our human intelligence capabilities? What events led to the pathetic state of this human intelligence?

Why were we nearly flying blind with respect to the internal political situation in Iran, a nation that occupies one of the most strategic pieces of real estate in the entire world?

Throughout these hearings, we must continue to ask these fundamental questions. Each witness' testimony, beginning with General Secord's today, must be evaluated in this light.

After all, aren't we interested in more than just the facts of this case? Of course we are, and so are the people of this country.

I am confident that 12 weeks from now the people of this country will decide that what is most important is not what happened in the basement of the White House or in the dining rooms of the Hay Adams or in the jungles of Central America or the tarmac in Tehran, but rather what lessons these facts have revealed so that we can structure a stronger, more cohesive foreign policy in the future which will fall prey to neither the weaknesses of its practitioners nor the designs of our enemies.

Thank you very much, Mr. Chairman.

Chairman HAMILTON. The Chairman recognizes the distinguished gentleman from Georgia, Mr. Jenkins.

STATEMENT OF HON. ED JENKINS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. JENKINS. Thank you, Mr. Chairman. I am delighted to be in the clean-up spot this afternoon, as I am sure most of you are, too.

But, I have prepared a statement, and I want to give it. It is very short.

Two hundred years ago this Nation embarked upon its destiny with a genuine effort to serve the best interests of the Republic and all of its people. Pursuant to that fragile, but structured beginning, our Constitution was adopted setting forth the responsibilities and the duties of the legislative, the executive and the judicial branches of government. The very basis of our being is found within that document.

That Constitution provides the framework for the enactment of laws not in conflict with that document.

That Constitution provides that the President "shall take care that the laws be faithfully executed."

We have within the many volumes of laws enacted by the Congress and the President the Arms Export Control Act, the Export Administration Act, the National Security Act, the Boland amendment, and many others. The problem may not be necessarily the enactment of new laws, but compliance with those already on the books.

As was stated by the courts in 1890, the President has, under the Constitution, certain duties to perform, among those being to take care that the laws be faithfully executed; that is, that the other executive and administrative officers of the Government faithfully perform their duties.

In the matter before these committees, there are numerous questions that must be addressed by the two committees before a proper report can be rendered to our respective bodies, and to the American people.

Some of these questions can be addressed by producing facts that sufficiently illuminate the situation so that we know what did occur. Other questions will involve past foreign policy, future policy, judgments, the private financing of foreign conflicts, the possible use of public funds to finance foreign conflicts where such funding is prohibited by Federal laws, who is responsible for formulating and implementing our foreign policy decisions, what information the Congress is entitled to and required to receive from the executive branch. When does charitable lose its charitability? These and many other questions must be addressed by these committees.

In the next few months, we will be asking the same questions over and over again. Our job is to find out what did happen. In order to do that, we will have to find out who knew, and did, and did what and when.

For the American people, except those who are intrigued by this sort of mystery, the days and days of questions may seem boring and confusing. No doubt it will also become so to some members of our own panel. But we have been commissioned to find the answers, and I, for one, will be here to follow the story and find out what actually happened, whether or not it is the popular course of the moment. We owe it to the American people, even the ones who will be bored by it all to find out what happened in this entire affair.

We will have to leave it up to the historians to research the whole affair to finally put it in its proper perspective. Four months from now, we may be accused of being on a witch hunt. I hope not. I believe Watergate received such criticism, but as the story unfolded, and finally was revealed, the truth told otherwise. Here we put aside the references to Watergate, for what we are investigating involves international affairs and our relations and policies with several nations.

As I look at what lies ahead of us, I am reminded of the words of a theologian. Reinhold Niebuhr: "The sad duty of politics is to establish justice in a sinful world."

Now comes our duty to find the truth. If we find the truth, justice surely will follow.

Thank you, Mr. Chairman.

Chairman INOUYE. At this time, I would like to supplement my opening remarks with certain matters that are important for the record on these proceedings.

First, insofar as the Senate Select Committee is concerned, its authority derives from and these hearings are being conducted pursuant to Senate Resolution 23 of January 6, 1987, which established a Senate Select Committee to conduct an investigation and study of activities by the National Security Council and other agencies of the U.S. Government with respect to the direct or indirect sale, shipment, or other provision of arms to Iran and the use of the proceeds from any such transaction to provide assistance to any faction or insurgency in Nicaragua or in any other foreign country or to further any other purpose and related matters.

The subject matter of these hearings will include without limitation all of the issues and subjects specifically and generally described in S. Res. 23.

Without objection, I direct that the full text of S. Res. 23 be made part of the record.

[The information appears at p. 619.]

Chairman INOUYE [continuing]. Second, while the Senate and House Select Committees have agreed to conduct these hearings jointly, each committee retains its separate identity and legal authority under the resolution of the House of Congress which created it.

Although the committees remain legally independent of each other, we have agreed to a number of measures to promote the orderly and expeditious conduct of these jointly held hearings. Thus the two committees have agreed that the Chair will be under the control of the host committee. Accordingly, I will chair the hearing when our committees meet together on the Senate side to receive testimony. In my absence, Vice Chairman Rudman will be in the Chair. If we are both absent, I will designate another Senator to preside.

Similarly, when we hear testimony on the House side, Chairman Hamilton will preside. In his absence, the Chair will be assumed by another member of the House committee in accordance with these rules.

Rules will be made by the host committee. Any member of either committee may request a ruling or prospective ruling be discussed, and the membership of both committees may participate in the discussion.

Chairman Hamilton and I plan to discuss matters which may require a ruling by the Chair, and our objective will be to formulate a mutually satisfactory response. However, if for some reason a vote is required, only the host committee will vote and its determination will govern the jointly conducted hearing.

Each committee is free at any time to meet separately to pursue any matter, but we trust that we will be able to resolve any differences and proceed together at all times.

Finally, by agreeing to these jointly conducted hearings, each committee is agreeing to adopt as its own the questions of the members and counsel of the other committee. Responses by a witness accordingly will be deemed to be responses to both committees, no matter who is questioning the witness at the time.

There will be no need for either committee to repeat the other questions in order to make a record of its own. The full testimonial record shall be considered to be a record of each committee for all purposes, including proceedings to enforce subpoenas.

Each committee has adopted and published an amendment to its rules to provide that designated rules of the host committee will govern jointly conducted hearings.

Further, I will request that members of the Senate Select Committee remain here for a few minutes in the anteroom for a matter for the committee to be discussed.

Finally, before I call upon the distinguished Chairman of the House Select Committee, I would like to advise all members that each microphone here is live and hot. So be careful as to what you whisper. I have had that experience before.

Mr. Chairman.

Chairman HAMILTON. Mr. Chairman, we thank you for your clarification with regard to the procedures that will mark these hearings. Insofar as the House Select Committee is concerned, its authority derives from, and these hearings are conducted pursuant to, H. Res. 12, and without objection I direct that the full text of H. Res. 12 be made a part of the record.

[The information appears at p. 607.]

Chairman INOUYE. There being no further business, I would like to announce that this committee will be in recess until 2 p.m. this afternoon, at which time we will hear our first witness, Mr. Richard Vernon Secord.

[Whereupon, at 12:20 p.m. the committees recessed, to reconvene at 2 p.m., the same day.]

AFTERNOON SESSION

Chairman INOUYE. The joint hearing of the Senate and House Select Committees will please come to order.

Our first witness this afternoon is Mr. Richard Vernon Secord.

The House Select Committee has assigned the initial interrogation responsibilities to Congressman DeWine and Congressman Stokes together with Chief Counsel Nields and Minority Counsel George Van Cleve.

The Senate Select Committee has assigned Senator Boren and Senator Hatch together with our Chief Counsel, Art Liman, to carry on the interrogation.

Mr. Secord, will you please rise.

[Witness sworn.]

Chairman INOUYE. Please be seated.

Mr. Secord, I have been told that you have an opening statement.

TESTIMONY OF RICHARD VERNON SECORD

Mr. SECORD. Yes, Mr. Chairman.

In the summer of 1984 and again in November of 1985, the current administration asked me for assistance. On each occasion, first with respect to the Contras and later in connection with the Iran initiative, I responded to the request for help. I made no secret then and make no secret now of my view that containment of the

Sandinista regime in our relations with Iran should be subject to vital and considerable interest to the United States.

In these undertakings, I coordinated my efforts with various Government officials and I asked other men to assist me in their private capacity.

All of them worked long and difficult hours. Many worked in the face of constant danger, some died. There was indeed compensation paid to the private parties, but no one undertook these missions for compensation alone.

We believed very much in the significance of what we were doing and that our conduct was in furtherance of the President's policies.

I also understood that this administration knew of my conduct and approved it. I feel exactly the same about the men in government with whom I was in contact.

It should come as no surprise that I have a great deal of respect and admiration for Admiral Poindexter and for Lieutenant Colonel North.

They are both dedicated and honest men who in my view tried diligently and conscientiously to carry out the policies of the President in an appropriate manner.

All of us have had to suffer and endure a painful assault upon our motives and integrity inspired by incredible misinformation and speculation mainly in the media.

Principally, for this reason, and out of respect for the men whom I invited to join with me as well as the request of this committee to come forward, I have decided to set the record straight to the best of my ability and to testify voluntarily without any immunity whatsoever.

It is my hope that the members of this committee and my fellow Americans will suspend judgment, not only about us, but also about the objectives and the policies we were pursuing, until after all the facts are placed upon the record.

As you will shortly see, we did have some success. We also had our share of failure. But in all these endeavors, at least we tried. And I for one am not ashamed of having tried.

If we were unconventional in some of our methods, it was only because conventional wisdom had been exhausted. If we had been successful in every respect, we would not be here today.

In agreeing to testify, I have returned to the position I embraced at the time the Attorney General of the United States prematurely went public with his grossly inaccurate disclosures about our operations.

The decision of Mr. Meese and possibly others to succumb to anxiety and ignorance is particularly unforgivable, in my judgment, in light of the fact that had he been receptive, he could have been advised of the facts surrounding these events before his announcement.

This reasonable option was rejected and we were instead betrayed, abandoned, and left to defend ourselves.

In the face of that abandonment, my instincts were equally self-protective and I have refused until now to testify.

With the passage of time, I have reconsidered and I am now prepared to explain to all of you and to the American public precisely what I did.

I am ready to answer your questions, Mr. Chairman.

Chairman **Inouye**. Thank you very much, Mr. Secord.

[The prepared statement appears at p. 412.]

Chairman **Inouye**. Mr. Nields, please proceed.

Mr. **Nields**. Thank you, Mr. Chairman.

Mr. Secord, I take it there came a time in November of 1985 when you became involved in the sale of military, U.S. military equipment to Iran?

Mr. **Secord**. That is correct.

Mr. **Nields**. Was that something you were asked to do or something that you volunteered for?

Mr. **Secord**. I was asked by Lieutenant Colonel North to assist.

Mr. **Nields**. Did that request come orally or in writing, or both?

Mr. **Secord**. Both.

Mr. **Nields**. I would like you to turn to a document which has been marked committee exhibit 1 in the folder in front of you. It is a letter with a typewritten signature, Robert McFarlane, addressed, "Dear Major General Secord"; is that the written request that you just referred to?

[The document referred to appears at p. 415.]

Mr. **Secord**. Yes, sir.

Mr. **Nields**. And is that actually signed by Mr. McFarlane?

Mr. **Secord**. No; it is signed by Oliver North for Robert McFarlane.

Mr. **Nields**. Just so that we get the record clear at the outset, Mr. Secord, who was Robert McFarlane at the time?

Mr. **Secord**. He was National Security Adviser to the President and—at the time was in, this was November 19—at the time he was in Geneva with the U.S. delegation to the summit.

Mr. **Nields**. Mr. Secord, the letter begins, "Your discrete assistance is again required in support of our national interests." Had your assistance been required earlier in support of our national interest?

Mr. **Secord**. One year earlier, in 1984, I had been asked if I would be interested in trying to assist the Contras.

Mr. **Nields**. And who asked you if you were interested in that?

Mr. **Secord**. Colonel North.

Mr. **Nields**. And were you, in fact, involved in assisting the Contras in November of 1985, at the time you received this letter?

Mr. **Secord**. Yes.

Mr. **Nields**. What was the nature of the project that you were then engaged in having to do with the Contras?

Mr. **Secord**. In November of 1985, I was at the very beginning of a complex project we referred to as the "airlift project," a project which was designed to ultimately make air drops, parachute air drops to various Contra forces.

Mr. **Nields**. In Nicaragua?

Mr. **Secord**. In Nicaragua?

Mr. **Nields**. Now, Mr. Secord, such an operation, I take it, requires finances?

Mr. **Secord**. Yes, it requires millions of dollars.

Mr. **Nields**. Where was the money supposed to come from to support this air supply operation?

Mr. SECORD. The money was coming from donated funds and these funds were coming, as I understand it, from private individuals and from some friendly countries.

Mr. NIELDS. And where were these moneys being put?

Mr. SECORD. In November of 1985 they were being deposited in a Swiss bank account in favor of a company, a Panamanian company, Lake Resources, Incorporated?

Mr. NIELDS. And who controlled the Lake Resources, Incorporated?

Mr. SECORD. Mr. Albert Hakim was the person who was in control of this account and others that were created for various support purposes—but there was, at my request, and really under my oral direction.

Mr. NIELDS. And was Mr. Hakim then a business associate of yours?

Mr. SECORD. Yes, he was.

Mr. NIELDS. How did the donors know where to put the money, to your knowledge.

Mr. SECORD. I gave the account name and number to Colonel North and he, in turn gave it to whomever was interested.

Mr. NIELDS. I take it then, Mr. Secord, that at the time that you received this letter requesting your assistance on the Iran initiatives, there was then in existence in Switzerland a bank account containing money for the benefit of the Contras.

Mr. NIELDS. And that bank account was Lake Resources?

Mr. SECORD. Yes.

Mr. NIELDS. At a later point in time, February of 1986, and forward, were the proceeds of arms sales to Iran also put into the same Lake Resources bank account?

Mr. SECORD. Yes, they were.

Mr. NIELDS. What was the total amount of money representing the purchase price of arms sold to Iran that was put into the Lake Resources or related Swiss bank accounts?

Mr. SECORD. Something over $30 million.

Mr. NIELDS. I take it by your answer that means something just a very little bit over $30 million?

Mr. SECORD. Yes.

Mr. NIELDS. So if you were speaking in round numbers, it would be $30 million?

Mr. SECORD. Yes, sir.

Mr. NIELDS. How much money was paid, to your knowledge, either directly or indirectly to the U.S. Treasury out of that money?

Mr. SECORD. I believe it was about $12.3 million.

Mr. NIELDS. So in round numbers, $12 million?

Mr. SECORD. $12 million.

Mr. NIELDS. I want to ask you some questions about, I think you will agree there is a difference there of approximately $18 million. I want to ask you some questions about where that money went.

Before I do, let me ask you this. Up until a few days ago, did you have access to the records necessary to determine where that money went?

Mr. SECORD. No.

Mr. NIELDS. Who did?

Mr. SECORD. The committee, the House and Senate Select Committee had these records which they received recently from Mr. Albert Hakim.

Mr. NIELDS. So that prior to that time Mr. Hakim had the records?

Mr. SECORD. Correct.

Mr. NIELDS. Mr. Hakim identified in testimony given to this committee some eight Swiss bank accounts relating to the flow of this money that you just have been testifying about. Those records were then subpoenaed from him by the committees, both committees and they are now undergoing a preliminary review by accountants working for the two committees.

The records reflect that there is now in the bank accounts approximately $1,360,000. In addition, Mr. Hakim has testified to the committees that $6,527,000 of this money is presently being held in an account for his benefit by a Swiss fiduciary. Those two numbers total approximately $8 million, and if you subtract that from the $18 million difference that you testified about a moment ago, that leaves $10 million presently unaccounted for.

I want to ask you what happened to that $10 million, how it was spent and again before I do, I am going to ask you whether you have been given access to print-outs of the disbursements from these various bank accounts by the committee during these past few days?

Mr. SECORD. Yes, I have.

Mr. NIELDS. And have you reviewed those together with the Members of the committee?

Mr. SECORD. Yes, I have conducted a preliminary review of these records.

Mr. NIELDS. Based on that review, can you give us now an approximate amount of money from the process of the sales of arms to Iran, which went to the benefit of the Contras?

Mr. SECORD. Based upon my review of Mr. Hakim's records, in which I identified all disbursements that I could locate, which were identified with the various Contra projects, it appears that approximately $3.5 million of these funds were expended in support of the airlift project, the various Contra projects.

Mr. NIELDS. How did you arrive at that number?

Mr. SECORD. By going through Mr. Hakim's records in detail and identifying the disbursements that were made for these projects.

Mr. NIELDS. And what was the total amendment of disbursements that you identified from February 1986.

Mr. SECORD. Between $5 and $6 million.

Mr. NIELDS. And did you then try to determine what other sources of funds those disbursements might have come from?

Mr. SECORD. Yes. And we located donations that came in during the timeframe for the Contra projects of $1.649 million. In addition to that, there were in the accounts in February of 1986 some $470,000. So if you total those two numbers, you have about $2 million.

Mr. NIELDS. And you have assumed all of that $2 million was spent on Contra projects?

Mr. SECORD. It was.

Mr. **Nields**. And then the remaining amount of money that was spent on Contra projects, I take it, had to come out of the proceeds of the arms sales to Iran.

Mr. **Secord**. That is the method we used; that is correct.

Mr. **Nields**. Can you give us a little bit more detail on the subject of just what kinds of expenditures for the benefit of the Contras were made out of these bank accounts?

Mr. **Secord**. The airlift project had three components to it. The procurement and the operations of the aircraft, of course. That meant two C-123 K transport aircraft, two Caribou aircraft, and one light utility airplane, a Maule, so there were five aircraft to support it.

We also were required to construct an emergency landing field in one of the Central American countries. That was the second component, and the third component was the procurement of limited quantities of munitions, light infantry munitions for the purpose of troops, air drops, to the southern Contras, the Contras located in the southern part of Nicaragua.

Mr. **Nields**. Did you have to spend money on salaries in addition?

Mr. **Secord**. Yes, of course. To support the airlift operation we spent money on salary, fuels, spare parts, on maintenance, on support for the air crews.

Mr. **Nields**. Was there any money paid to Contra leaders?

Mr. **Secord**. Yes.

Mr. **Nields**. Who and how much?

Mr. **Secord**. There was a monthly disbursement of $10,000 a month to one Contra leader and $5,000 a month to another. That is Robelo and Cruz, and on several occasions we made disbursements to Mr. Adolfo Calero's account with the FDN, the main body of the Contras.

Mr. **Nields**. During this period of time were there any payments directly to Mr. Calero, past February 1986?

Mr. **Secord**. I believe there were some. I would have to look at the records to refresh my memory on that point, but I think there was $200,000 disbursed during that period for the FDN contras.

Mr. **Nields**. In any event, your memory is there was $200,000 at some point in time, and you would be willing to refresh your memory on that question by further consultation with the records?

Mr. **Secord**. Yes, sir.

Mr. **Nields**. Now, by my calculation, after approximately three and a half or so million dollars was spent on the Contras, there is still something over $6 million which we have not yet accounted for.

How was that money spent?

Mr. **Secord**. Well, there were in the vicinity—and we added these expenses up, too, by looking at Mr. Hakim's records—there were in the vicinity of $3 million spent in support of the Iran project, basically on the transportation of materials from the United States to Iran.

Mr. **Nields**. And that still leaves a little over $3 million unaccounted for.

What was that money spent on?

Let me rephrase that question.

Were there other projects on which money was spent that were neither Iran nor Nicaragua related?

Mr. SECORD. Yes. There was a requirement to procure a small ship in April of 1986, and then to operate that ship from then until the end of the year, ultimately, and that was a substantial expense.

The procurement cost was about $350,000, and there were monthly operational costs. We have not yet audited those accounts.

Mr. NIELDS. And when you said there was a requirement, was the ship bought for private purposes or was this ship bought for governmental purposes?

Mr. SECORD. This ship was bought for, initially, to be used on another Government project which is not related to Iran.

Mr. NIELDS. Was it related to Nicaragua?

Mr. SECORD. No.

Mr. NIELDS. And at whose request was the ship purchased?

Mr. SECORD. I received the request from Colonel North.

Mr. NIELDS. Were there any other projects or purposes for which money was spent?

Mr. SECORD. Yes. There was $100,000 expenditure to buy radiotelephone equipment for a Caribbean country. This was a request that we received from Colonel North.

And then there were expense payments made. We have yet to determine the exact amount of these payments—made to U.S. Drug Enforcement Agency agents who were working on a separate project to try and locate and rescue some American hostages in Lebanon.

Mr. NIELDS. How were those expense payments made?

Mr. SECORD. They were made in cash.

Mr. NIELDS. How?

Mr. SECORD. In some cases the cash was given to Colonel North. He would give the money to the agents for the expense bills that they submitted, and in some cases the money was picked up by the DEA people Europe.

Mr. NIELDS. Was any explanation ever given to you as to why the DEA agents' expenses were being paid for in cash out of Lake Resources' bank account?

Mr. SECORD. Yes. I was told that the Director of the Drug Enforcement Agency had agreed to detail some agents to this project from time to time, but the expenses of these agents would have to be born by outside financing. So, we financed.

Mr. NIELDS. Mr. Secord, if I may attempt to summarize—before I do that, I guess I should say, are there some additional expenditures that at this point in time you have not been able to identify the purpose of?

Mr. SECORD. That is correct.

This unquantified balance that we are talking about right now, the $2 to $3 million probably something on the order of $2 million, we have not yet been able to identify the other elements of overhead and expense that had to be paid out of this, and I am sure we will get to this before too long.

Mr. NIELDS. And once again, I think I should emphasize that your answers today are approximate ones; is that correct?

Mr. SECORD. Yes, these are just approximate, based on our first audit of the accounts.

Mr. NIELDS. And that a much more detailed presentation of the financial flow will be presented by the committees at a later time after the records have been more fully analyzed and leads from them fully pursued.

Just to review, I understand you have testified that $30 million came into these accounts, representing the purchase price of arms sold to Iran, that the cost of those goods to Lake Resources was $12 million. Am I correct so far?

Mr. SECORD. Correct.

Mr. NIELDS. Leaving a difference of $18 million.

Eight million dollars remains either in a bank or custody of a fiduciary company in Switzerland, leaving a remainder of $10 million. Of that, something over $3.5 million was spent for the benefit of the Contras. Am I correct so far?

Mr. SECORD. Correct.

Mr. NIELDS. Leaving a difference of $6.5 million or so.

And of that, approximately $3 million was spent on expenses in transporting arms to Iran, leaving a difference of approximately $3.5 million. Of that, something over a million dollars was devoted to purposes that you have identified in your testimony today that are neither Iran-related nor Nicaragua-related, leaving a difference of approximately $2 million, and that figure you have not yet been able to give the committee the precise purpose of.

Mr. SECORD. That is correct.

Mr. NIELDS. Mr. Secord, I would like to move back in time now. Perhaps you could introduce yourself to the committees by giving a brief summary of your background, where you were born, where you were educated, and a brief description of your career up until approximately the beginning of 1984.

Mr. SECORD. Yes, I was born in 1932, in a small village in Ohio, rural Ohio. I was raised in central Ohio. I went to high school in Columbus, OH.

I was appointed to West Point as a cadet in 1951, coming from the 12th District of Ohio. Graduated from West Point and was commissioned in the U.S. Air Force in 1955. Became a pilot, flew throughout my career in the Air Force, which stretched over the next 28 years.

I had extensive additional education while in the Air Force, masters degree from George Washington University, graduate of the Command and Staff College in Montgomery, Alabama; graduate of the Naval War College in Newport, Rhode Island.

In my service, I saw extensive time, service, tours in the Southeast Asia conflict, serving in Vietnam and in Laos over quite a number of years throughout the sixties. I—in my later years of service—was fortunate enough to be promoted to General officer rank.

I commanded the U.S. Air Force mission to Iran during the time of the Shah, served there from 1975 for 3 years until July of 1978. So I left there roughly 6 months before the revolution.

I spent a total of 4½ years all total in the country of Iran during my service. I headed the U.S. Air Force International Programs Office in the Pentagon for three years from 1978 to 1981.

During that time I directed all U.S. Air Force worldwide security assistance programs, foreign military sales and the like and supervised it. In 1981, I was appointed in this administration as Deputy Assistant Secretary of Defense for—with responsibility for the Middle East, Africa and southern Asia.

I served in that post for over 2 years and retired in May of 1983. I agreed to go into business with Mr. Albert Hakim.

Mr. NIELDS. What was your rank when you retired?

Mr. SECORD. I retired as a Major General in the United States Air Force.

I went into business as president of Stanford Technology Trading Group with Mr. Albert Hakim as an equal shareholder. We are 50/50 shareholders in this company which is now headquartered in Vienna, Virginia.

The purpose of this company was to conduct international business in a fairly narrow area, that of security and to try to take advantage of the 1983 banking law which enabled the United States to form such trading groups.

We pursued that business activity in the early years of our endeavor there.

That about covers it, I think.

Mr. NIELDS. When did you first meet Albert Hakim?

Mr. SECORD. I met Mr. Hakim in 1976, or 1977, while I was the chief of the Air Force Mission in Iran. He was an Iranian businessman at that time doing business with, among other organizations, the Iranian Air Force.

He was specifically designing and selling electronic intelligence systems to the Iranian Air Force and had completed one project and had a contract for a second project, phase 2 of a second project. He constantly reminded me that was a $23 million project.

My organization recommended to the Iranian Air Force that that project be discontinued because it was redundant to another U.S. Iranian program called IBEX. He lost the contract.

So we met under unfavorable circumstances. He came to my office to protest what he thought was an improper intrusion of the U.S. military into commerce. So that is the way we met first.

I saw him several times thereafter, but not frequently. In 1980, his was one of a number of Iranian names that I gave to the U.S. intelligence people for possible—for vetting and possible use in the operation to rescue the American hostages being held in Iran.

He was contacted by the intelligence people, was vetted, and did volunteer his services as did several others.

He dropped in to see me from time to time—he lives in California—in the Pentagon. I think he was just keeping track of me.

We did no business, had no substantive discussions until some months after I retired when he contacted me and gave me a business proposition.

Mr. NIELDS. That is when you started your association with Stanford Technology?

Mr. SECORD. Trading group, right?

Mr. NIELDS. Just to clarify that, is there another organization known as Stanford Technology Corporation?

Mr. SECORD. Yes. It is confusing and often it is reported in the press incorrectly. Mr. Hakim has had a company which he owns named Stanford Technology Corporation of California, now a California corporation.

He has had this name on several different companies and this is a company with which I have no association and never did, never did have any association.

So it is a little bit confusing.

Mr. **Nields**. When did you first meet Oliver North?

Mr. **Secord**. My first recollection of meeting North was in 1981. At this time I was the senior representative of the Pentagon to the Interagency Group which was charged with the responsibility of shepherding the proposed sale of the AWACS to Saudi Arabia, shepherding this proposal through the Congress.

So I was the senior military person involved in this project throughout 1981—this project consumed most of 1981.

Colonel North at that time, was the staff officer on the National Security Council staff. He was involved in scheduling of meetings and such.

Mr. **Nields**. Did you get to know him at that point in time?

Mr. **Secord**. No, not really. He was more of a command post type scheduler in which he coordinated the activities of the several groups who were under the overall direction of the National Security Advisor at the time, who was Mr. Allen.

Mr. **Nields**. When did you next run into Mr. Oliver North?

Mr. **Secord**. I believe the next time I saw him was in January or February of 1984 after I retired, when a mutual friend of ours asked me to join him in a visit to Colonel North.

Colonel North had been notified that he was going to be assigned to the Naval War College and was having some—later that year. He was having some—apparently having some difficulties with this because he felt that his—as it turned out, he felt his assignment in the NSC was so important that he should not take the opportunity to go to the college.

This friend of ours was concerned that it would hurt his military career. So we went to see him and talked about that. I gave him my view, which was that if he wanted to progress to senior ranks, he would have to fill that requirement and would have to go to the War College.

But he didn't see it that way. He felt deeply that the work he was about there was of transcending importance and he made no bones about it. So I saw him only once in early 1984.

Mr. **Nields**. What was the next time that you ran into Oliver North?

Mr. **Secord**. I think the next time that I saw him was a result of a phone call that I got from him, asking me if I could drop by for a chat sometime.

I would place that roughly in the summer of—let's say July of 1984 roughly. At this time he told me that he was talking to me as he had talked to a number of others.

Mr. **Nields**. Did he identify any of the others?

Mr. **Secord**. He mentioned retired General Singlaub as one of the others. He figured I would probably know him. And of course I did, although the general was not in this meeting.

He may have named others. But if he did, I didn't recognize them so I don't remember the names.

But he said that—I no doubt had noted that support for the Contras on the Hill was greatly diminished In fact, there had been what I would call a cap placed in May on further expenditures and he was therefore talking to private people to see if they would be interested in trying to do something to support the Contra cause.

He gave me a short briefing on the current situation, just a very rough overview, mentioned the chief of the FDN, the largest of the factions to me, Mr. Calero, and asked me if I would be interested in trying to help.

I said that any way I could, I would certainly be interested in helping.

Later he arranged——

Mr. Nields. Before you go on to later, did he tell you what it is he had in mind that you would do?

Mr. Secord. Not exactly. He didn't ask me to go out and raise funds. He said people were trying to raise funds but also there was the matter of advice that had to be given.

Formerly, of course, the CIA had been performing these tasks, those tasks of logistics, advice and supplying money.

Mr. Nields. Was he asking you essentially to contribute your services or was there a financial arrangement involved?

Mr. Secord. No financial arrangements were discussed. None. He was asking me to contribute my services, which I gladly did.

At a later time then—and it was not too much later, but I can't tell you when—he arranged for me to have a brief meeting with Mr. Calero.

Mr. Nields. Where was the meeting?

Mr. Secord. I think that I met him in the Old Executive Office Building in North's office. That is my recollection.

Mr. Nields. Was it a long meeting or a short meeting?

Mr. Secord. No. It was a short meeting. Calero had to go elsewhere. I, in fact, met him later. We agreed to meet later. I picked him up at his hotel here in Washington. I expected to meet with him there, but he had to go to another meeting, which I took him to, which was in another hotel in northern Virginia.

At the conclusion of that meeting, which did not involve me, I then took him to the National Airport. We took about 45 minutes to an hour at this time.

By this time, this is the second time I met with Calero. I may have confused you a little bit by going from the office in the EOB straight to the hotel. That is not the way it occurred.

Mr. Nields. You had one meeting in the office with Oliver North?

Mr. Secord. And a later meeting.

Mr. Nields. Was any business conducted at that meeting?

Mr. Secord. No. No business. It was a general discussion of the situation and it was really my introduction to the FDN.

Mr. Nields. Then the later meeting was a matter of days later.

Mr. Secord. It was some days later but not a long time later.

Mr. Nields. When you said you went to the National Airport, are you talking about a hotel near the National Airport?

Mr. Secord. Yes. We went to the Marriott Hotel. We stopped briefly at the Marriott to chat, just next to the National Airport. And I had with me by this time, as I recall, Mr. Rafael Quintero, a man for whom I have a lot of respect, a man who is tremendously experienced in Central America, has been an intelligence officer for years, a man who is very well known in the Cuban American community, a man whom I trust.

Mr. NIELDS. How had you gotten to know Rafael Quintero?

Mr. SECORD. Through another very close associate of mine from CIA days when—and his name is Thomas Clines. These two served together off and on over the years. That is how I met Rafael Quintero. It was many years ago that I met him.

Mr. NIELDS. You say by this time you had Rafael Quintero with you?

Mr. SECORD. Yes.

Mr. NIELDS. Does that mean that the project that you might be performing with or for Mr. Calero had taken some further definition?

Mr. SECORD. It really hadn't taken much definition in my mind at that point. But I wanted to see if we were going to be able to undertake a project. I wanted Quintero with me for several reasons—one, as an adviser, because he knew the scene in Latin America far better than I. I am not a Latin American expert. I have never served in that region, never had any real responsibilities for that region. And so I needed him as an adviser and I also wanted to introduce him to Mr. Calero because he did not know Mr. Calero.

Mr. NIELDS. Did you have a discussion with Mr. Calero at the National Airport Hotel?

Mr. SECORD. Yes. As I said, for—I would guess that we talked for perhaps 45 minutes. What we talked about was really just one subject. He was interested in finding a new source of arms at prices lower than those, which he had been told were being paid by the United States, and he had been—he told me he had a list with these prices.

He later gave me such a list. He said that, of course, one of their biggest problems was lack of money. He had very limited resources available to fund this Contra army. It was a big worry. He had to find quality munitions and arms at as low a price as he could. So this was his concern.

He told me off the top of his head the types of ammunition and arms that he was interested in.

Mr. NIELDS. Had you previously ever been involved in arms transactions?

Mr. SECORD. Only in the U.S. Government, which I was, of course, involved in a major way, but as a private individual, no. I am not an arms dealer.

Mr. NIELDS. Was there anything else Mr. Calero needed besides arms?

Mr. SECORD. Well, over time he talked about a number of things that he needed, but at the same time he was talking only about arms and he was concerned not just with pricing, I might add, but also with quality. They had some casualties in their ranks from faulty munitions, hand grenades blowing up in people's hands and other such problems. So he was very concerned about quality as well.

Mr. NIELDS. And he wanted you to procure some arms for him, I take it?

Mr. Secord. He wanted me to explore the possibility of doing it and to, in effect, make a bid which is what we did at a later time.

Mr. Nields. When you say we, that is you and Mr. Quintero?

Mr. Secord. No. It is me—I took this listing that he gave me, which was an incomplete listing, because he gave it to me, you know, just off the top of his head, and took this listing to an acquaintance of mine who is an arms dealer and has been for many, many years in Canada and asked him to do a pricing exercise and an availability exercise.

Over a period of several months, he did work up a list with pricing.

Mr. Nields. And did you convey that list to Mr. Calero?

Mr. Secord. Yes. And the list expanded as time went on. Calero liked the prices that we were coming up with. By the way, this was a strict commercial kind of transaction. There was nothing spooky about it. It was just a normal brokering deal. The prices were marked up in the process, different markups for different line items depending upon the size, but between 20 and 30 percent was the markup which is quite low in the arms business.

When you average it out, it comes out almost exactly to 20 percent.

Mr. Nields. I take it from what you are saying that you were to make a profit on these arms transactions?

Mr. Secord. Yes. My partner and I were to—and by this time I had, of course, told my partner, Mr. Hakim, of what we were looking at. It was intended that the profits generated would be shared by Hakim, myself, and, of course, the arms dealer.

Mr. Nields. On what basis?

Mr. Secord. On the basis that one-third of the profits—not one-third of the gross, but one-third of the profits would go to Hakim and I. Of course, that would be—half of that would come to me and half would be retained by him. That was our agreement.

Mr. Nields. Who would get the other two-thirds?

Mr. Secord. The arms dealer.

Mr. Nields. So that when you say the markup, you are talking about the difference between what the arms dealer paid and what Mr. Calero paid?

Mr. Secord. Exactly.

Mr. Nields. Did you actually sell arms in this fashion to Mr. Calero?

Mr. Nields. Yes, we did. We ultimately did. It was some months later when the transactions took place. I believe the first deal was struck in November of—with a down payment, November of 1984. And then the deliveries were some months alter.

Mr. Nields. How many transactions were there?

Mr. Secord. There were four. Four transactions.

Mr. Nields. Four involving the Canadian arms dealer?

Mr. Secord. Only two of these involved the Canadian arms dealer.

Mr. Nields. If there were two others, can you explain the difference between those transactions and the ones with the Canadian arms dealer?

Mr. Secord. Yes.

First the two transactions with the Canadian arms dealer involved a small ship load of munitions from the Far East and then a plane load of approximately 90,000 pounds from Europe.

The plane load was ordered up as a bridging means because they were running low, the contras were running low on certain items of ammunition and the ship was delayed greatly from its original estimated time of arrival through no fault of our own.

It was through the fault of the supplier who encountered a lot of delays and gave us some dates that weren't met. But in any case, there was a lot of unhappiness with our friends in the FDN over this ship load of munitions that—the date kept slipping. In fact, I don't believe that the delivery took place until the spring and it was supposed to be—the delivery should have been in early winter.

Mr. NIELDS. Just to make sure we understand the time periods, you are saying the delivery actually occurred in the spring of 1985?

Mr. SECORD. Correct.

So it was a bridging—as a bridging device, the FDN ordered up a plane load of ammunition. There was a considerable amount of concern evinced by the Contras and even some of the Americans who were following events with the Contras.

Mr. NIELDS. Which Americans?

Mr. SECORD. In this case I am referring to Jack Singlaub. He was critical, Calero was critical. A lot of people were critical about the continued delay of delivery.

So, I determined that—for a couple of reasons that we would change the logistics arrangement, the supply arrangement. I got Mr. Tom Clines to manage future procurements if there were to be some, and there were.

Mr. NIELDS. This was in place of the Canadian arms dealer?

Mr. SECORD. Yes, in place of the Canadian arms dealer.

Mr. NIELDS. Can you give us the name of the Canadian arms dealer's company?

Mr. SECORD. Transworld Armament.

There were two factors here: one I have described to you—that is there was a lot of unhappiness over the late delivery—and secondly, I wanted to tighten up a bit on security.

The Canadians arms dealer really didn't know much about the ultimate destination for these armaments. He wasn't given—I didn't give him a full briefing on who I was dealing with. I wanted Clines in the loop, because I had a lot of trust in him and he had, more importantly, a great deal of experience in Latin America as a counterinsurgency expert and an expert on the procurement of arms. That accounts for the change in method of operation.

Then there were two more——

Mr. NIELDS. Before we get to the two with Mr. Clines, did the Canadian arms dealer—you indicated that you hadn't given him a full briefing on where the arms were going. I take it that means he didn't know—you hadn't told him specifically that they were going to the Contras?

Mr. SECORD. Well, he thought that they were going to Guatamala. In fact, they did.

Mr. NIELDS. OK.

Can you tell us about the transactions involving Mr. Clines?

Mr. SECORD. Yes. There were two—I believe two transactions, one sealift, which I think was ordered in May of 1986.

Mr. NIELDS. Did you mean 1986?

Mr. SECORD. I am sorry. 1985. I didn't mean 1986. 1985. And an air lift also a little bit earlier than that.

Mr. NIELDS. Mr. Secord, you are looking—jumping ahead here. You are looking at a document that has been marked Exhibit 2.

[Exhibit 2 appears at p. 416.]

Mr. NIELDS. Does that document list the arms covered by the four arms shipments, two involving Transworld and two involving Mr. Clines?

Mr. SECORD. Yes, they do.

Mr. NIELDS. Which of the two involving Transworld?

Mr. SECORD. The first transaction, which is annotated "airlift number one," and the first sealift, annotated "sealift number one." The other two were Mr. Clines.

Mr. NIELDS. Where was Mr. Clines obtaining the arms?

Mr. SECORD. In Europe from East bloc countries—Poland, Moravia—and from Western countries.

Mr. NIELDS. Was he dealing through any particular company?

Mr. SECORD. He was dealing through one particular company most of the time.

Mr. NIELDS. What was its name?

Mr. SECORD. This company is named Defex—D-E-F-E-X—in Portugal. It is a registered arms dealer.

Mr. NIELDS. Were these sales also at a markup and for a profit?

Mr. SECORD. Exactly the same.

Mr. NIELDS. How was the profit, mark-up distributed between you and Mr. Clines?

Mr. SECORD. The profits, after they were computed, were to be taken 20 percent of the profit, that is, to Mr. Clines and the balance to Mr. Hakim, who would split it 50/50 with me.

Mr. NIELDS. So, your portion of the markup increased when you moved from Transworld to Mr. Clines?

Mr. SECORD. That is right.

Mr. NIELDS. What was the mark-up? Did the mark-up stay the same?

Mr. SECORD. It was exactly the same.

Mr. NIELDS. Twenty to 30 percent?

Mr. SECORD. It averaged out almost exactly 20 percent.

Mr. Clines' role in all this was very limited. He was limited to that one role only.

Mr. NIELDS. Did Mr. Quintero have a role in these arms sales to Calero?

Mr. SECORD. Yes, he did. He had several jobs in this regard. An important function he performed was the coordination of the reception in the two different countries in Central America where the arms were delivered. He handled all of the liaison with the Contras and with the local authorities and met the arrivals and made sure that things went efficiently.

In addition to——

Mr. NIELDS. Was his role to make sure that the arms got where they were supposed to go?

Mr. SECORD. Exactly, and in an efficient way.

Mr. NIELDS. Was he remunerated for that?

Mr. SECORD. Yes, he was.

Mr. NIELDS. At what rate?

Mr. SECORD. He was not paid a commission. He was paid a salary, which in 1985, I believe, was about $3,000 a month. He was paid a bonus for each of these arrival exercises that he did.

Mr. NIELDS. Do you know a man named Richard Gadd?

Mr. SECORD. Yes.

Mr. NIELDS. First of all, how do you know him?

Mr. SECORD. I knew him first when he was a lieutenant colonel in the Air Force in the Pentagon. I didn't know him very well, but I knew him there. Then I got to know him much better after he retired and we worked together quite a bit in 1983 and 1984 on different businesses.

Mr. NIELDS. Did Mr. Gadd play a role in these arms sales to Calero?

Mr. SECORD. Yes, he did. For the air lift, he arranged for the air transportation and his company was paid a fee for that.

Mr. NIELDS. And where did he assist in transporting the arms from and to?

Mr. SECORD. From Europe to Central America.

Mr. NIELDS. Is that Portugal?

Mr. SECORD. It was from Portugal, yes, to Central America. And the company that he utilized was the Miami-based Southern Air Transport Company, a very good company, which has been much maligned.

Mr. NIELDS. Mr. Secord, who was paying for these arms? Was it Mr. Calero out of his bank accounts?

Mr. SECORD. Yes, yes.

Mr. NIELDS. And to whom was he paying the purchase price, to what entity?

Mr. SECORD. He was paying the price to another Panamanian company, Energy Resources, Inc., by way of wire transfers to the bank in Geneva where this company had its account.

Mr. NIELDS. And who owns Energy Resources, Inc.?

Mr. SECORD. I couldn't tell you who the exact owners are, but it is under the control of Mr. Hakim, just as Lake Resources was. In fact, I should clarify that point. Lake Resources replaced Energy Resources in July or August of 1985.

I think I should also clarify for the record another important point. There were never any arms, not even one BB that was transported from the United States or procured in the United States.

Mr. NIELDS. Mr. Secord, do you have an approximate number? I am asking for an approximate order of magnitude number, representing your share of the profits from these four arms sales?

Mr. SECORD. It would have been several hundred thousand dollars.

Mr. NIELDS. Did you eventually receive your share?

Mr. SECORD. No.

Mr. NIELDS. Why not?

Mr. SECORD. I had a change in plan. It was my intention from the beginning to handle this in a normal businesslike fashion, just as normal business. But after July of 1985, I came to a point where I saw my role changing and my ambitions changing. Therefore, later in 1985, I forswore my share of the profits that had accrued to that time, none of which I had drawn, and discussed this extensively with Mr. Hakim. He well understood this.

Mr. NIELDS. Did you say he well understood it?

Mr. SECORD. He well understood it, yes. We discussed it extensively.

Mr. NIELDS. Did you communicate this to him or anyone else other than orally?

Mr. SECORD. No.

Mr. NIELDS. And——

Mr. SECORD. The original deal was nothing other than oral.

Mr. NIELDS. What was the change in your plans, your attitude that caused you to forswear these profits?

Mr. SECORD. As I became more knowledgeable of what was going on in Latin America and thinking more about military operations again, I decided that it seemed to me that if I did perform a real service there, I would have a good chance of going back into Government. And by this time I was prepared to go back in the Government.

I had a few stitches I hadn't really taken care of during my Government service. I left the Government sooner than I might have, and so I thought I had a chance to go back in. But I also believed that if I took a share of profits from arms sales, no matter whether—how legal it is, it is a politically legal commercial deal, that it would tarnish me and ruin my chances for going back in the Government.

So I made that judgment and communicated this firmly to Mr. Hakim and he understood it.

Mr. NIELDS. When you say you had some stitches, does that mean wounds?

Mr. SECORD. Well, I still felt that there were a few problems existing from when I retired because I had been falsely accused in 1982 to 1983 of being associated with business dealings of a man who became notorious, Edwin Wilson, and a lot of bad publicity fell on me during that timeframe and the fact I was cleared didn't seem to make any difference to anyone.

And I got into disputes with some senior officials in the Pentagon whom I felt had not been supportive of me during my time of trial. I wasn't tried, of course, but during my time of being under investigation, I was not supported legally, that is, with counsel.

I thought it was the Defense Department's responsibility to provide me with counsel. They did not, they refused.

I incurred legal expenses that I couldn't pay. I was in debt. I was unhappy, and so I informed the Secretary of Defense that I was retiring.

Mr. NIELDS. During——

Mr. SECORD. A couple years later, I felt that I still was young enough to go back and have another try at it.

Mr. NIELDS. During the period of time when you were selling arms to Mr. Calero, did you have any knowledge or understanding of his source of finance?

Mr. SECORD. No, I had no knowledge at all.

Mr. NIELDS. Did there ever come a time when you were asked to assist in raising money for Mr. Calero or for the Contras?

Mr. **Secord**. Yes.

Mr. **Nields**. Would you describe that event, please?

Mr. **Secord**. The first time I would place in the fall of 1984, and I was asked by Oliver North if I would be willing to contact a foreign official whom I knew and had dealt with in the past with respect to possible contributions to the Contras.

Mr. **Nields**. Contributions by him or by his——

Mr. **Secord**. By his government, or by him, either one. But the intention was the government, I believe.

North mentioned to me that he had discussed this with his superior who at the time was Robert McFarlane. I said I would be happy to do it, and I did make the approach, but the approach was not very well received.

As I put it back to Ollie, I believed the individual was not enthusiastic about this idea. And as far as I know, nothing ever came of it.

I was asked later, however——

Mr. **Nields**. Approximately when?

Mr. **Secord**. I would place it about the first of February 1985. I was asked by North again if I would be willing to one more time approach this official, and he said that it had been suggested by Mr. McFarlane, and the reason why it seemed a propitious time was that there was scheduled in the future a head of state visit from that particular country.

Mr. **Nields**. Did he say anything further about Mr. McFarlane?

Mr. **Secord**. He said that Mr. McFarlane had mentioned this to the official, and Mr. McFarlane was asking if I would follow up. And I did, I followed up. I had a very short meeting with the gentleman, however, because he was just about to leave town when I visited with him so the meeting could not have lasted more than a few minutes, but I did speak to him.

And I mentioned to him that in my view it was propitious timing, a gift or a donation to the cause of the Contra would undoubtedly be very well received in Washington and by the President, it was my opinion. That was my opinion.

He said, you can stop twisting my arm. He said, "I have decided to take it up with the head of state," and he was, however, noncommittal.

That was the last time I talked to that individual and the only time that I approached any foreigners for a donation.

Mr. **Nields**. Did you ever learn whether your efforts had borne fruit?

Mr. **Secord**. Well, I would like to take credit if they did bear fruit, but I don't think I can do that.

I heard from Oliver later that he believed that a donation had been made directly to the FDN account. I heard different numbers over time.

I never had any evidence, any first-hand knowledge of what that amount might be, and I in all honesty, cannot testify that it ever occurred.

Mr. **Nields**. With respect to these arms sales to Calero and that period of time in your involvement with the Contras, what was Mr. North's role, if any?

Mr. SECORD. Very little. He was in the information collection business as far as I was concerned at that point. He wanted to know if I would provide him with details of any deliveries or deals that were made, and I did so gladly.

He wanted to know what the prices were, because I think he was trying to, as best he could, keep track of the, at least the bigger expenditures that were being made in support of the Contras, but he had no other involvement.

Mr. NIELDS. How frequently did you see him or speak to him during this period of time, the first half of 1985?

Mr. SECORD. Not very often. I can't put a finger on it, but not very often.

Only whenever I had something to tell him. Basically I was the one who was initiating the contacts.

Mr. NIELDS. You were reporting to him from time to time when you had something to report?

Mr. SECORD. Indeed.

Mr. NIELDS. Did you have any contact with any other Government officials during this period of time with respect to the Contras?

Mr. SECORD. During the first half of 1985?

Mr. NIELDS. Yes.

Mr. SECORD. No.

Mr. NIELDS. Did there come at time around the middle of 1985 when your functions changed with respect to the Contras?

Mr. SECORD. Yes.

Mr. NIELDS. How did that come about?

Mr. SECORD. There was an important meeting that I was invited to.

Mr. NIELDS. Who invited you?

Mr. SECORD. Colonel North.

Mr. NIELDS. Who arranged the meeting?

Mr. SECORD. Colonel North set the time for the meeting after talking with Mr. Calero and coordinated the time. It was in Miami Airport Hotel in Miami. It was about the first of July 1985, almost the first day of July. It might have been the last day of June, something like that.

Mr. NIELDS. How did you get there?

Mr. SECORD. I went down on the commercial airplane from here.

Mr. NIELDS. How did Mr. North get there?

Mr. SECORD. He went by government aircraft and arrived at night. The meeting started late. It didn't start until 10 o'clock at night.

I had with me Rafael Quinteros and Tom Clines, military commander of FDN was present in this meeting, Colonel Bermudez; Mr. North and Mr. Calero were the participants.

Mr. NIELDS. Were you told in advance what the agenda was for the meeting?

Mr. SECORD. My understanding was it was to be what I would call a program review. It didn't have to do with the purchase of arms, anything like that. This was a program review where we could have a good exchange back and forth about the problem that existed and potential solutions, if any.

Mr. NIELDS. Were you told why you were invited?

Mr. SECORD. Yes.

Mr. NIELDS. Why?

Mr. SECORD. In order to participate in this program review and to comment on it. As I said, I had nothing to do with any arms deals.

Mr. NIELDS. How long did the meeting last?

Mr. SECORD. It lasted until dawn. It lasted until about 5 o'clock in the morning. It was a lengthy, all-night meeting. North arrived late, as I said, and left immediately after the meeting to go back to Washington.

Mr. NIELDS. Could you describe the conversations that occurred during the meeting?

Mr. SECORD. The meeting commenced on a pretty hard note, with Colonel North being worried about and critical of the Contras, because he had been receiving reports that the limited funds they had might be getting wasted, squandered, or even worse, some people might be lining their pockets.

His concern, as he articulated it, was a very serious one. He was afraid that if anything like this was going on that since they were dependent on contributions that the image of the resistance could be badly damaged; it could ruin us, in fact, and he was very, very hard on this point. It surprised me a little bit because this wasn't exactly the program review I expected. But after that——

Mr. NIELDS. Was he mentioning any person in particular?

Mr. SECORD. Yes. He mentioned—of course he was talking directly to Mr. Calero.

Mr. NIELDS. First name?

Mr. SECORD. Adolfo Calero. He mentioned he had reports that Adolfo's brother was procuring nonlethal things in the United States and shipping them down there and that this was a potential sore point because people will be pointing the finger at him and that this could turn into, unless it was properly handled and carefully handled, it could turn into a real mess for Calero.

That is the only name he mentioned as far as I can recall.

Mr. NIELDS. What else did he talk about?

Mr. SECORD. Well, after that, the program review did start, and there was a lot of information exchanged and a lot of discussion of various military problems that existed.

But at the end of the day—the night, I should say—there was complete agreement that there were several areas that needed immediate attention, and the first and foremost urgent problem was that of airlift.

Airlift that had been performed by the United States earlier by this time was no longer permissible under the law. And there were a very small number of very old, poorly equipped aircraft that were operating out of their main headquarters area in a country in Central America.

But these aircraft, we were told, could only fly in daylight hours and could not penetrate into Nicaragua any significant distance, because they couldn't fly at night, they weren't properly equipped, the crews weren't properly trained, and the Sandinista air defense, of course, had gotten much stronger.

The bottom line was, as I saw it, when the CIA—it was the CIA who supported them—were withdrawn from the Contra support network, their infrastructure, what was withdrawn really is what I characterize as the sinews of war.

They were in desperate straits, because when the agency pulled out they didn't leave behind very much. There were no trained logistics supply officers, maintenance officers, communications people—very little, if any, of this.

Although that is the unglamorous part of warfare, it is the most important part of warfare, and that is why I call it the sinews of warfare. The infrastructure, it just wasn't there. So, they were starting from scratch.

Back to the airlift. We concluded that unless some sort of air drop program was put into place fairly soon that the various groups which had been operating fairly successfully inside Nicaragua would be forced to withdraw and it would be very difficult to get them reinserted and it would appear that they would be defeated in detail.

Some of the groups were as much as 30 days' march from the border areas where they were being supplied—30 days one way.

So it was just not feasible to keep these outfits in combat and resupply with consumables, with bullets and beans, unless you dropped to them. There was no way around it. There were no two ways about it. You either had to develop an air drop capability or they were going to be forced from the field.

After that time period, I was aware that several groups and different individuals over time had recognized this. It was no secret that there was this lack of airlift. Several people had tried to start operations. They had all been unsuccessful, I suspect because they weren't funded adequately.

It is—even with old airplanes which we used—it is no inexpensive undertaking.

Mr. NIELDS. Are you still describing the meeting and the conversations of the meeting, or have you moved on?

Mr. SECORD. The meeting is over, and I am giving you what happened after the meeting.

Mr. NIELDS. Let's go back to the meeting.

Was there a discussion of southern front at the meeting?

Mr. SECORD. Yes, there was. That was the second most important item we all agreed upon.

I said we had common agreement on several items. One was the need for the airlift. The second was the need for a southern front or a southern front, as we called it.

Mr. NIELDS. What does that mean? Can you explain that?

Mr. SECORD. I will explain that to you.

The situation was the FDN, the main Contra force, was arrayed along the northern part of Nicaragua and operating in that area. In the southern part of Nicaragua there had been abortive efforts for over a several-year period to put together some sort of resistance down there, but it had always fallen apart. It was never well organized or supported.

It was agreed by all at this meeting that such an undertaking had to be readdressed, that the southern front needed to be created and supported materially, substantially.

So there was common agreement on that. Of course, how one does it is another matter, but there was agreement that that had to be undertaken.

And the reason for that is obvious. At that time the Sandinistas were able to concentrate all their military forces against the northern threat, and they were able to concentrate all their Cuban-led countersurgency battalions there.

There was no one complicating the Sandinistas lives. They were not forced to look to the south. They were not threatened from the south. Therefore, the need for——

Mr. NIELDS. Were there particular military leaders in the south, and if so, could you identify them for the committee?

Mr. SECORD. My understanding is, in the past—that is, before this meeting, long before, before I came on the Contra scene—there had been the famous Eden Pastora in the south trying to operate in the south. That fell apart.

Then there were some other commandants who controlled small groups of men, but not very numerous, in the general area, but they were not organized, nor were they being supported materially.

Mr. NIELDS. Anything else discussed at the meeting?

Mr. SECORD. The third point which was agreed upon was their lack of access to their urban areas and the need for them to get into some of the urban areas.

I wouldn't want to go much further than that on that point.

Mr. NIELDS. Were you asked to do anything?

Mr. SECORD. At the meeting? No.

Mr. NIELDS. After the meeting?

Mr. SECORD. After the meeting, I was asked by North if I thought I could put together this operation, and my colleagues both advised—Quintero and Clines both advised—me strongly against it, telling me it would be a source of great grief. Of course, I knew that it would be.

Mr. NIELDS. North—what was his position?

Mr. SECORD. Somebody needed to do it. It had to be done or they were going to be defeated.

Mr. NIELDS. You are describing now what North told you?

Mr. SECORD. Yes.

Mr. NIELDS. Did you meet with North——

Mr. SECORD. I beg your pardon?

Mr. NIELDS. Did you meet with North on a number of occasions following the meeting in Miami?

Mr. SECORD. Periodically. I can't, again, tell you exactly how often. Not too often, but periodically.

I have thought about this for quite a while, about this need, this task. I agreed, of course, with North. I was one of the people in the meeting. I agreed with all of them that this was a vital project.

I after a while went to my colleague, Richard Gadd, and discussed with him the feasibility of putting together an airlift operation, and the ground rules were that I didn't want to form a company, I didn't want to operate a company, I didn't even want to go there.

You know, I was perfectly happy to try to conceive of it and to work to try to finance it, but I did not want to operate it. It was beyond my capability. I just didn't want to do it. I felt that if I were to do that, I would have to go to Central America and actually operate there. That I didn't want to do.

So we did some study, took a look at the area, what it would take, and ran some planning exercises, and over time finally concluded—Mr. Gadd and I finally concluded that the operation could be done if we could get sufficient financing.

How much is sufficient? I didn't know at the time. But I knew it would take $3 or $4 million to get underway.

Mr. NIELDS. Did you have discussions on that subject with Oliver North?

Mr. SECORD. Yes.

Mr. NIELDS. Can you describe them?

Mr. SECORD. Well, they were brief. I kept him apprised of where we were in our thinking and our planning and whether or not we would really commit to it.

Mr. NIELDS. What else was involved?

Mr. SECORD. By this time, we had sent—I had sent Rafael Quintero to consult with the FDN leaders and anyone else he could about a secure base.

Initially, we thought that the base ought to be colocated with the main Contra body, but that proved not to be feasible for a number of reasons.

We were advised that the host country would not approve it. Moreover, the facilities at this particular air strip were practically zero and the air strip itself was damaging to aircraft if you utilized it on a sustained basis.

We instead turned to a neighboring country. Mr. Quintero went there and negotiated with the local military and with an old friend of his who was working there too—and got an agreement, in principle, about this timeframe—that is the fall of 1985—for the basing of a small airlift operation at that location.

Mr. NIELDS. Which country was that in?

Mr. SECORD. That was in El Salvador.

Mr. NIELDS. The air strip?

Mr. SECORD. No. Yes, the air strip. The main base.

Mr. NIELDS. Okay.

Are you going to tell us then about the emergency landing strip?

Mr. SECORD. Oh, yes, I am. But I was talking about the main base. That was the key. Without that, we had nothing, and I am telling you it was Quintero, assisted by his friend who was working there, who negotiated with the authorities to get operating rights out of that base. This was a great breakthrough, and it was very important.

Looking from there to south, which was the most difficult run, one saw that one had to fly out over the Pacific and then up from the south or out over the Atlantic and then up from the south. It was a very long round trip to make nonstop in a C-123, 9 hours or more.

And in order to—on a sustained basis—do this operation, it was my firm belief that we had to have an emergency landing field somewhere in that area. Of course, that is Costa Rica.

So—why was that so important? It was important because over the long haul, operating even with the most modern aircraft, you are going to have in-flight emergencies. With the aircraft that we probably were going to have to operate with, we could expect more than a few emergencies.

Additionally, there was always the chance there could be some damage from enemy action.

In order to—we could not ask air crews to make such a long haul without some safe haven nearby, nearby the area of operations. You could do it a few times, but on the sustained basis, one could not get away with that. You were courting disaster.

So, we undertook also to locate an air strip which we could use on an emergency basis. We never planned to operate out of Costa Rica. That wasn't feasible because of the political situation, and all of us knew it. So, there has been a good deal of misinformation circulated on this subject, as well.

We did manage with the assistance of the Government—Costa Rican Government—to locate a suitable area of land, unimproved land on the northwest coast, and we did buy that land, and we set up a company called Udall Corporation to conduct this land procurement and to support the airlift operation.

Gadd hired some former U.S. military engineering personnel to go down and supervise the construction of this dirt strip, and so, in less than a year—much less than a year—they actually constructed in a very remote part of Central America a 6,000-foot long dirt strip with pretty good drainage on it and one wooden building to store barrels of fuel and anything else we wanted to store there.

The sad thing was that, owing to a change in government which took place in May of 1985 in Costa Rica, a change in policy took place. We were denied ultimately access to this air field even on an emergency basis.

So, we sweated and spent a lot of money for nothing over a long period of time. And so, we were deprived of this vital facility just when we needed it.

Mr. NIELDS. Did you get any help from any officials of the U.S. Government in getting this air strip?

Mr. SECORD. Yes. The American ambassador was very supportive, so I was told. I never met him, but——

Mr. NIELDS. Who was that?

Mr. SECORD. That was Mr. Tambs, and a senior CIA field officer was very, very helpful in advising and coordinating and supporting us in that area.

By "supporting", I don't mean they were spending any money or doing anything with material. They were simply giving us the right advice and the right contacts and trying to be helpful.

Mr. NIELDS. Was there a man who used the name of Olmsted who participated in acquiring the air strip?

Mr. SECORD. Yes. He negotiated the land deal with the former owners.

Mr. NIELDS. Who is he?

Mr. SECORD. You mean his true name?

Mr. NIELDS. Yes.

Mr. SECORD. His name is William Haskell.

Mr. NIELDS. What was the purpose for using the name Olmsted?

Mr. SECORD. Just to protect his identity. He was doing this on a strictly voluntary basis. We wanted to keep him out of the limelight.

Mr. Nields. In putting this operation together, I think you have already testified that you had to acquire some airplanes.

Could you describe once again the airplanes that you acquired?

Mr. Secord. Yes.

Ultimately there were a total of five aircraft. One was a light airplane for utility use, a single engine light airplane.

The transport aircraft were two C-123K aircraft of the type we used very successfully in the Southeast Asia conflict. These are airplanes that have two propellers and two jet engines.

And two Caribous, Canadian-built Caribous transport aircraft which are also very rugged, useful aircraft. These aircraft were purchased beginning—the search for them began in very late 1985 when they were purchased throughout the first, I think—what—4 or 5 months of 1986.

Mr. Nields. Now, were arms purchases also a part of this operation?

Mr. Secord. Yes, it was the third part of this overall tactical air lift program.

Initially, we didn't anticipate doing any arms purchases because it was my belief that we could get the necessary materials from the main Contra band, the FDN, because they had several times expressed a lot of support for a southern front, but that support seemed to me after a while to be only words and not too many deeds.

The FDN were husbanding their limited resources very tightly and didn't seem to want to donate any of their ammunition, weapons, communications, food, and so forth, uniforms to the southern front.

So, we were forced to buy some limited quantities of arms which we flew to El Salvador from Portugal and stored in a warehouse there for air drop purposes.

Mr. Nields. Who handled the transportation from Portugal to El Salvador?

Mr. Secord. Mr. Clines.

Mr. Nields. And what airplane actually carried the arms?

Mr. Secord. Southern Air Transport was again contracted for these flights.

Mr. Nields. Was there any profit associated with these arms?

Mr. Secord. No. There was profit associated with the arms in the exact same fashion as in the previous arms transactions. The exact same mark-ups, no change. There was no—when you asked the question, I thought you were asking about transporting. There was no profit ever attached to any air transport flights that were ever conducted by us, and that includes the airlift project itself.

We started that program—I started—I conceived of it and Gadd started it without any notion of there ever being any profit accruing to me or to Clines or Quintero or any of my people.

My great hope was that this company which was formed, if we could get sufficient donations to it to make it run right, would have nothing to do with me whatsoever. I didn't want to have to worry about it. That was my plan. It didn't work out, but that was my plan.

Mr. Nields. Who shared in the profits from the arms sales during this phase of your support for the Contras?

Mr. SECORD. Exactly the same as late 1985. It was Mr. Clines and Mr. Hakim.

Mr. NIELDS. Was there a man named Mr. DeGaray who played a role in this operation?

Mr. SECORD. There was, but he worked for Mr. Gadd. I think I met him one time. I don't think he knows me. I don't think he knew who I was when I met him.

Mr. NIELDS. Was there a man named Robert Dutton?

Mr. SECORD. Yes.

Mr. NIELDS. Who played a role in this operation?

If so, what was his role? When did he become involved?

Mr. SECORD. He became involved because as time went on in 1986, although airplanes were bought at a fairly slow pace—but that was paced by the availability of funds—the operation didn't come together as I wanted.

The operational capability that I was hoping would be generated in the winter of 1986 by the spring was still not functioning correctly. There were a lot of big, big maintenance problems with the aircraft that were not anticipated, which, of course, caused the expenditure of a lot more money for spare parts than had been anticipated.

There were some missions flown in support of the FDN, just short missions along the border. But the southern front missions were just not coming together. We were never able to launch a southern front mission in the winter or even in the spring, as I recall.

So it was a big problem. So I finally brought another man on board, retired full Colonel Robert Dutton of the United States Air Force, a man who had worked for me in several different operations in the past, a man for whom I had a lot of respect, and I brought him into the picture starting in May of 1985—May of 1986, to try to get this train back on the track, if you will, to try to get some operational capability generated in this airlift company. And ultimately he did. He did a very good job.

So by the summertime, by late summer they were functioning, and functioning very well.

Mr. NIELDS. Was there a man named Felix Rodriguez that participated in this operation?

Mr. SECORD. Yes. Felix Rodriguez was working in El Salvador with the local military authorities. We had known him from the past and he was very, very helpful in helping to establish the operational support base that was so badly needed.

He was very helpful in acting as a liaison with the local authorities in the early months of this operation. Felix Rodriguez, over time, became more of a problem for us because he voiced all kinds of dissatisfaction with the overall operation, believed—or at least said that we were profiteering at the Contras' expense.

Of course, he didn't know, he didn't understand how this business was being run at all. He thought that the Contras were giving us money for this operation, which of course they were not, and the munitions—the very limited munitions that we procured and sent there were not old, as he had reported here to the Vice President's office and to the local authorities. They were actually quite new, shiny new, and functioned beautifully.

We were put to the test by the commanding general down there because he also believed these rumors that we were shipping shoddy goods and required test firing of every item in the supply, and they all worked beautifully.

So we started having problems with Felix—it was very unfortunate—toward the end of this airline operation. I think that is sufficient on Felix for the moment.

Mr. NIELDS. Did he precipitate a meeting here in Washington at some point in time?

Mr. SECORD. Well, yes. In August of 1986 he came to a meeting with North and with my man, Robert Dutton. I was not in the meeting, and we—the purpose of the meeting, I thought, was to get these problems up on the table and to resolve the problems because we had enough issues to face in Nicaragua. We certainly didn't need to be fighting the friendlies.

The meeting, however, did not go so well and it was reported to me, and Mr. Rodriguez had a subsequent meeting with the assistant to the Vice President, Mr. Gregg, and I was told with the Vice President, as well.

My man was not in those meetings so I don't know exactly what was said, but we learned later that the allegations of shoddy material were put up on the table at that time and we had to respond to those.

Mr. NIELDS. Mr. Secord, how did the various people in this operation communicate one with another?

Mr. SECORD. Very poorly to start with, and in an unsecure fashion, which is a big problem in a clandestine or low profile operation, but by, I think it was February of 1986, North provided us with a small number of encryption devices called KL-43. These are communications encryption devices which were provided to us by North from the NSA. Do you have one here?

Mr. NIELDS. Yes, I think we do. Mr. Pope.

Mr. SECORD. Yes. That is it.

Mr. NIELDS. I am asking Mr. Pope to put a device in front of Mr. Secord, and I will ask Mr. Secord if he can identify it.

Mr. SECORD. Yes. This is a KL 43 encryption device. It is used in conjunction with regular telephone communications. Okay.

Mr. NIELDS. How many such devices were there in your operation? Let's take it one at a time.

Mr. SECORD. I will have to add them up.

Mr. NIELDS. Tell us who had them.

Mr. SECORD. Rafael Quintero had one which he took with him from location to location.

Mr. NIELDS. Do you know in Central America?

Mr. SECORD. Yes. I had one. Mr. Gadd had one. Southern Air Transport had one. There were two in El Salvador.

Mr. NIELDS. Where?

Mr. SECORD. One in the hands of the chief of the U.S. Military group, Colonel Steele, and one in the hands of our air operation. It was kept by Mr. Cooper, and then we had one with a senior CIA officer in Costa Rica. So that was—we had six. We usually had one spare in the system.

Mr. NIELDS. Are you missing one in the Washington area?

Mr. SECORD. Oh, of course. And one in North's office. But the ones that we had were those I just ticked off. We usually had one spare in the system because they would burn out from time to time.

Mr. NIELDS. I take it these devices permitted each person with a device to communicate with any other person in a secure fashion?

Mr. SECORD. Yes.

Mr. NIELDS. And did you, in fact, do that?

Mr. SECORD. Yes.

Mr. NIELDS. I think you have in front of you, Mr. Secord, marked collectively as Exhibit no. 3 a series of documents.

[The exhibit appears at p. 418.]

Mr. NIELDS. Are those messages or printouts of messages that were sent via this KL-43 device?

Mr. SECORD. Yes, sir.

Mr. NIELDS. I am just going to go through a few of these with you. Briefly, I would like you to take a look at the first one. It is dated March 3, 1986 at the top and it says Copp, C-O-P-P, underscored.

What does Copp mean?

Mr. SECORD. That was a pseudonym for me.

Mr. NIELDS. What was the reason for the use of a pseudonym?

Mr. SECORD. It is customary in clandestine operations to use pseudonyms.

Mr. NIELDS. Where did you get it from?

Mr. SECORD. I needed it hurriedly one day so I just took it from a—the author's name of the book I happened to be reading at the time. I didn't have time to get into the telephone book, which is the normal way. So I just picked it off of a book.

Mr. NIELDS. And was that—in what context did you first adopt that name?

Mr. SECORD. I believe I first adopted it just before going to Portugal in November of 1985.

Mr. NIELDS. Did that have to do with Nicaragua or Iran?

Mr. SECORD. Iran.

Mr. NIELDS. Now, this KL-43, it says Copp. Can you tell us who it is to and who it is from?

Mr. SECORD. It is to me and it is from North. I am sorry. It is from me to North. I got it backwards. It is from me to North.

Mr. NIELDS. It references Short Brothers.

Mr. SECORD. Yes.

Mr. NIELDS. And B.P.

Mr. SECORD. Right.

Mr. NIELDS. What do those things refer to?

Mr. SECORD. That is the name of the British company that manufactures the air defense surface to air missile, the blowpipe.

Mr. NIELDS. B.P. stands for blowpipe?

Mr. SECORD. Yes.

Mr. NIELDS. Are you asking North to do something here?

Mr. SECORD. I am asking if it is feasible for them to—for the White House to contact the U.K. authorities in order to get their cooperation in with Short Brothers to enable us to buy some blow pipe missiles from a third country for the Contra.

Mr. NIELDS. Do you know if you tried to do that?

Mr. SECORD. I believe he tried to do it via contact with U.K., but I am not certain. In any case, there was no cooperation.

Mr. NIELDS. Did you spend some time at attempting to purchase these blowpipes?

Mr. SECORD. Yes, we did.

Mr. NIELDS. Were you ever successful?

Mr. SECORD. No.

Mr. NIELDS. Could you turn to the next KL-43 message in the exhibit pile, dated March 3, 1986. Who is that from and who is it to?

Mr. SECORD. Again it is from me to North.

Mr. NIELDS. Starts off, "NHAO and Fosmier at it again." What is that about?

Mr. SECORD. NHAO was the acronym for the organization set up by the State Department to administer the $27 million humanitarian aid program for the Contras in 19—late 1985 and early 1986. This refers to my associate, Mr. Gadd, who was—one of the contractors that delivered NHAO goods from the United States to the Contra areas. He asked me if I could help him. This was not my project, but he asked me—but I was interested in it, since I was interested in Gadd and his problems.

He asked me if I could help because NHAO and this other gentleman had told them what their deliveries—in this case into an airstrip in Honduras—they could not refuel—I mean, there was no fuel at this strip. They were prohibited from going to the capital, Tegucigalpa, where they normally refuel. It made no sense.

In effect, I am just reporting a problem to see if we can get some help.

Mr. NIELDS. Seeing if you can get some help from North?

Mr. SECORD. Yes.

Mr. NIELDS. I would like you to skip over about three or four to a message that almost fills the page and at the top of the page it says in handwriting "F.M. Goode."

Do you see that?

Mr. SECORD. Yes.

Mr. NIELDS. What does Goode refer to?

Mr. SECORD. That was a pseudonym for Oliver North and means from—that is my handwriting. It means from him to me.

Mr. NIELDS. It starts off, "The unit to which we wanted to drop in the southern quadrant of Nicaragua is in desperate need of ordinance resupply."

Where, if you know, is North getting this information from?

Mr. SECORD. I believe he was getting it from the senior CIA field officer in Costa Rica.

Mr. NIELDS. It says down below, "Have there ever developed an alternative plan which someone has been believed on and in which he concurs."

Then he describes an alternative plan in some detail. Was it customary for Oliver North to be receiving information on quasi-military operations down there and giving instructions of this nature?

Mr. SECORD. It was not customary for him to give instructions or advisers like this, but I believe that this was done because it was a very unusual mission which involved utilizing an airplane, an L-100 Hercules air plane, after it had done its mission for NHAO in Central America.

So what he was proposing was that we terminate the NHAO mission in Central America and that we then contract with this airplane to haul some of the material from one base to another so that we could drop it. So it was an unusual occurrence.

Mr. **Nields**. Mr. Secord, I would like you to flip forward several pages to a message dated April 21, 1986.

Mr. **Secord**. OK.

Mr. **Nields**. Do you have that one in front of you?

Mr. **Secord**. Yes.

Mr. **Nields**. I would like you to take a look at the paragraph marked No. 3. First, I should ask you who is this message from and who is it to?

Mr. **Secord**. It is from me to North.

Mr. **Nields**. Paragraph 3 starts off, "Current obligations over next few weeks nearly wipe us out except for CD."

What does that refer to?

Mr. **Secord**. The obligations that we could see coming in support of this airlift operation were going to—according to my reports—consume all the funds we had available except for funds that were in the Iranian project and reserved in a certificate of deposit for self-insurance of the aircraft we were using in the Iranian project.

So what I am saying here is that unless we go into that CD, which, of course, we didn't want to do, it didn't look like we were going to be able to meet our obligations.

Mr. **Nields**. You are running low on funds available for the Nicaraguan operation?

Mr. **Secord**. Yes, very, and we always were.

Mr. **Nields**. There is a mention here of D. Walker.

Mr. **Secord**. Yes.

Mr. **Nields**. "110 K." What is that a reference to?

Mr. **Secord**. We contracted with a British firm, and that is the British, D. Walker, to provide some foreign, in this case, U.K. personnel, U.K. citizens to act as air crews in the airlift operation and in this case it was two pilots and one load master.

My desire from the beginning, by the way, was to try to slowly replace the American air crews with foreigners, if we stayed in the field that long.

One of the things you should remember is that we always viewed these operations as very short term, bridging operations until the Congress could pass another bill which would put the CIA back into the field with money.

We were not down there trying to make money out of an airlift operation. We were down there trying to do a vital task and we wanted to get out of it as soon as we could. So it was a short-term bridging operation.

But I wanted—you know, if it was an ideal world, I wanted to have all foreign air crews. That is easy to say, very hard to find. And why? Not because of Neutrality Act violations.

I had already gotten an extensive legal opinion that told me what we were doing was quite legal; but because of the appearance problem. If we were to have one or more of these people captured, as ultimately occurred, it becomes a real problem when it is American citizens, an American citizen as we saw and it was our objective from the beginning to insure against that by slowly hiring foreign air crews.

We were never able to do that. We could not find them. And even this air crew didn't work out.

Mr. NIELDS. I am going to interrupt the review of these KL-43 messages and ask you on a related subject to what you have just been telling us—other than North, who in the United States Government was giving support to your operation, and what kind of support were they giving?

Mr. SECORD. Which period of time are we talking about?

Mr. NIELDS. Air resupply operation?

Mr. SECORD. I believe I was receiving support from the Director of Central Intelligence, I was hoping to get support from the Central American Task Force, although I never saw any support that we got from them.

Mr. NIELDS. Central American Task Force is what agency?

Mr. SECORD. CIA headquarters' staff.

I was receiving moral support, certainly, from Ambassador in, U.S. Ambassador in Costa Rica, and El Salvador as well. We received some support from a senior CIA officer in Honduras.

Mr. NIELDS. Of what nature?

Mr. SECORD. His staff intervened sometimes with the FDN to try and break some of these, to resolve some of these problems that developed when we were trying to deliver items to the southern front when the FDN had these items and we didn't, we occasionally were able to get some support from the CIA in resolving these disputes.

I also got intelligence information from, a limited amount of operational intelligence information for the use of the air crews from the senior CIA officer in Costa Rica. We were unable to get the kind of intelligence support which I had requested from the Director of CIA on two occasions. And I personally, in face-to-face conversations, made such requests.

We were never able to get the kind of professional intelligence product that I was accustomed to having when I was in the service, without which inevitably you run into trouble.

What I am talking about is ground order battle, electronic order of battle, radar depictions and so on. Also accurate satellite weather information was never made available to us, and that was something I wanted badly. I never was able to get it.

Mr. NIELDS. Anyone else who lent support? I think you mentioned Colonel Steele.

Mr. SECORD. I mentioned Colonel Steele but Colonel Steele was again a good moral supporter, a friend, a good officer, but his rules were such that he felt he couldn't give us any material support of any kind, including intelligence information.

Mr. NIELDS. You have made several references to the Director of Central Intelligence, did you actually meet with him in connection with Nicaragua?

Mr. SECORD. Yes.

Mr. NIELDS. On how many occasions?

Mr. SECORD. Three occasions.

Mr. NIELDS. When was the first occasion?

Mr. SECORD. A few days before Christmas 1985, was my first meeting. I went to his office at Langley, met with him.

Mr. NIELDS. How was the meeting arranged?

Mr. SECORD. He called me in my office and asked if I could be over there in a few minutes. I wheeled right over there, I got in a little late because it was bad weather that day. But he saw me anyway.

Mr. NIELDS. Do you know why he called you?

Mr. SECORD. Later I determined he called me because North had suggested to him it might be a good idea for him to call me, but he, himself, did call me.

Mr. NIELDS. Will you describe your meeting?

Mr. SECORD. Yes. The meeting probably lasted 45 minutes, I would guess. As I said, just the two of us were there. It was a little bit humorous because at the start of the meeting he was doing most of the talking and I was making a few comments but we were talking about two different countries, and I didn't realize it for about 5 minutes.

He was talking about Iran, and I was talking about the Nicaraguan scene, so we were hemispheres apart for awhile. The Director was not the easiest guy I have ever communicated with, but I have great respect for the man, I want to make that very clear to the committee. He had a lot of strategic vision.

After we got the talking past each other the problem straightened out, and we got around quickly to the subject of Central America, which was the purpose of the meeting, he was talking about Iran only because he knew I had something to do with Iran matter which was not yet discussed and I won't get into that right now. We talked about the situation in Latin America.

I told him that I was not an expert on that area, that I felt inadequate about that area because I really didn't have any first-hand knowledge of the geography, the people or anything else. But he was well aware that we were cranking up his airlift operation, knew of its importance.

He asked me for my estimate of the situation, by that he meant the overall military-political situation, and I have him a brief explanation, and I told him that among other things that I felt that the Contras had no chance of prevailing, none whatsoever, if we didn't get this airlift operation into the field, and even with it, even if we were very successful I had grave reservations about their ability to achieve any military victories. Of course—any significant military victories.

I didn't see any real moves to create a viable southern front. It never was done successfully thereafter.

Although I knew they had many thousand more men than they could successfully arm and train, I didn't see the logistics capability, I didn't see the intelligence capability and I did not see the leadership which is going to be required for a decisive military victory there.

Of course, it is possible that sufficient pressure could be generated by keeping them in the field to bring the Sandinistas to the table. I believe he shared my view of that situation, at least at that time.

He told me that they were very appreciative of what I was doing, and he said I had his admiration and asked what he could do, and I explain to him that I needed intelligence information, as I just discussed with you gentlemen. He took some notes on that; he was noncommital, he didn't promise me anything.

But he said he would look into it. Just as I was leaving that particular discussion, I said to him, Mr. Director, if and when you get your hunting license back—this was a kind of crude way to referring to hoped for congressional action—whatever assets were creating right now—by that I had in mind the air field which was just being scratched out and our air lift operation, and the material that went with it is yours, just walk in and it is yours. That I assure you. He said, thanks very much, and I left.

Mr. NIELDS. You were referring to the assets you were developing in connection with this air resupply operation?

Mr. SECORD. That is correct. As I said earlier, it was not a profit-making picture for us. We were just trying to hold the line until we could get out of there.

Mr. NIELDS. When was your next meeting with Director Casey?

Mr. SECORD. The next meeting was at my request and it was a very brief meeting that took place in—I believe it took place in early February 1986. I don't have any notes on it, but I remember it fairly well.

Mr. NIELDS. How was that set up?

Mr. SECORD. I called North and asked him to set it up, and he did.

Mr. NIELDS. This one was at your request?

Mr. SECORD. My request. I went to see him because I was unhappy, and I told him, Mr. Director, you and I are both too old to waste time beating around the bush. I have come here to complain.

Complain about what?

I said, complain about your organization.

What organization?

The Central—the task force, I said.

He said, what task force?

I said, the Central America task force.

Oh, that one. What's the problem?

I said, the problem is I'm not getting any support. I wanted intelligence information, guidance; whatever support you can give us, I want. We want every bit of support we can get from you. Instead what we are getting is a lot of questions about the nature of Gadd's organization, how is it organized, who owns it, who has the share, what Secord is doing. It was like an investigation of our organization. They weren't supporting it.

I didn't need to be investigated, I needed to be supported, and that was the nature of my complaint, and I stated it firmly. Again he said he would look into it. The meeting was a brief meeting.

The last time I saw the director was quite a bit later, and I'm sorry but I cannot tell you what month it was in. I think it was before the May journey of Mr. McFarlane to Teheran in 1986, but it might have been after, I'm not sure. But it was about that timeframe.

This meeting concerned itself also with Contra matters. I happened to be in North's office discussing something when the Director called Colonel North, and North said that was the Director, he wants to see me, would you like to go with me.

I thought we were leaving the building, but we weren't. We were just going around the corner to another office where he happened to be, the Director happened to be. I went in and he said, good to see you again, General.

North and I sat down with him and the subject was raised—and I believe this was a continuing discussion Colonel North was having with the Director, because he went right into the middle of a problem, and that was the growing shortage of funds to support the Contras.

North said that this was becoming a really critical problem, that donations to the cause were tailing off, they hadn't been materializing as they should, there were shortages in virtually everything, even food by this time.

The Director stated that he wasn't at all confident that they would be able to get a new bill out of Congress in too short a period of time. He said that some people over here, meaning the executive offices, seemed to think they were going to be able to get a new bill rather rapidly off the Hill. But he didn't share that view.

North turned to me and asked me to give my estimate of the situation, so I had to give my estimate of the situation again. So I ran through quickly what I thought I knew about the situation at the time. I told him that this airlift operation, which was my area of concern, was also short of funds, we needed a lot of things, we needed a lot of new equipment.

I wanted in particular to buy some inertial navigation equipment for the new airplanes but they were very expensive. We didn't have good weather radar either, and so on.

Casey asked me how much money is needed, and I said, well, it depends on what period of time you are talking about. Unless the Government, the U.S. Government, gets back into the support of the Contras, you know, we are not going to make it.

That was the message I wanted to impart. It had to be done fairly soon, because these private efforts, while they can bring a little bit, they cannot supplant the kind of effort that can be put forth by a nation. No private organization ever has enough resources to do that kind of a job.

I have already mentioned intelligence and there are other areas. He said, "well, a few months, the end of the summer, something like that," I guessed. I said "I thought it would take about $10 million, I thought."

He said "$10 million, $10 million," and then he mentioned the country which he thought might be willing to donate this kind of money. But then he said, "but I can't approach them."

Why, I don't know. Why he couldn't approach them, I don't know and he didn't say. But he said that two or three times. And then he said, "then he looked at me and said, but you can."

And I said, "Mr. Director, I'm not an official of the U.S. Government. I don't think these people are particularly interested in solicitation from private citizens. I think that would be very foolish."

And then he mused about it again and North said somebody better damn well start looking into this thing right away because it is a rather desperate situation.

The Director stated that he believed that George, meaning the Secretary of State, could make such an approach, though, and that was the bottom line. He said he would speak to the Secretary of State about this matter.

That was the last time I ever met with the Director, although again he thanked me for the efforts that I had been involved with.

Mr. **Nields**. Any other Government officials, other than the ones you have mentioned and Oliver North, who lent you support in this operation?

Mr. **Secord**. None that I can think of right now.

Mr. **Nields**. All right.

I would like to return to the KL-43 messages. You should have one in front of you dated April 28, 1986.

Mr. **Secord**. OK.

Mr. **Nields**. Who is that from and who is it to?

Mr. **Secord**. This is from me to North.

Mr. **Nields**. What does it deal with, the first paragraph? Is that the ship?

Mr. **Secord**. Yes. This is a ship.

Mr. **Nields**. This is the ship that North had asked you to procure for a purpose unrelated to either Nicaragua or Iran, is that correct?

Mr. **Secord**. That is correct.

Mr. **Nields**. Now, apparently you are trying in these messages to lease the ship. Is that——

Mr. **Secord**. We started out talking about leasing the ship, but we had a particular captain in mind who we felt was suitable for this task, and the captain owned the ship, but he did not want to lease. He wanted us to purchase the ship. But then he also said he would purchase the ship back later if we wanted to sell it back.

Mr. **Nields**. So you purchased the ship?

Mr. **Secord**. Yes.

Mr. **Nields**. Or Lake Resources purchased the ship or one of the Swiss——

Mr. **Secord**. Another company purchased the ship, Dolmy, D-O-L-M-Y.

Mr. **Nields**. This is one of Mr. Hakim's companies?

Mr. **Secord**. Yes, one of those seven or eight companies you talked about.

Mr. **Nields**. It says here we are asking Grant for a firm fixed price contract of $1.2 million for 6 months.

Mr. **Secord**. Right.

Mr. **Nields**. What does that refer to?

Mr. **Secord**. This is the price that we were proposing to ask or had already asked to lease the ship for this particular project.

Mr. **Nields**. That's money that is going to come in, I take it.

Mr. **Secord**. That was the proposal, yes.

Mr. **Nields**. And you had paid how much out for the ship?

Mr. **Secord**. I think it was around $350,000 that we paid for the ship, maybe it was $375,000. I don't recall.

Mr. **Nields**. And does this message indicate a monthly expense for operating the ship?

Mr. **Secord**. It says our rough guess is the monthly operating cost will be $50,000. I don't recall what numbers went in to make up that number.

Mr. NIELDS. So if you operated the ship for 6 months at $50,000 a month, that would amount to $300,000.

Mr. SECORD. Yes.

Mr. NIELDS. And the purchase price was——

Mr. SECORD. Three hundred fifty thousand.

Mr. NIELDS. For a total of $650,000.

Mr. SECORD. Right.

Mr. NIELDS. And you are going to rent it and get a return on the of one million, two.

Mr. SECORD. Theoretically, of course we had no experience whatsoever in operating ships or pricing, and, in addition to that, the mission that they had in mind for this ship was extremely dangerous. There was a good possibility the ship would be destroyed.

Mr. NIELDS. Did this deal ever go through?

Mr. SECORD. No.

Mr. NIELDS. If the deal had gone through, to what use would the—and the ship had not been destroyed—to what use would the profits have been put?

Mr. SECORD. Beats me. That is a hypothetical question. I don't know.

The consideration was not in my mind at the time. We were just trying to get the job done.

Mr. NIELDS. But you are trying to get the job done for a price of one million two for six months.

Mr. SECORD. That is right.

Mr. NIELDS. Which would give you a surplus of money in the Swiss bank account?

Mr. SECORD. Perhaps, if our guesstimates are correct, perhaps. And if we don't have to pay death benefits and things of this nature perhaps. It was very risky, as I said.

Mr. NIELDS. Assuming it had happened, would the money have been used for the Contras, for Iran, for personal purposes?

Mr. SECORD. Well, we would probably have spent it on the Contra, but that is a hypothetical.

Mr. NIELDS. I would like you to switch forward to a KL-43 message dated June 12, 1986. Do you have that one in front of you?

Mr. SECORD. Yes.

Mr. NIELDS. Who is that from, and who is it to?

Mr. SECORD. It is from me to North's office.

Mr. NIELDS. It starts off, "All aircraft out of mud." What does that refer to?

Mr. SECORD. Well, the base that we were constructing in Costa Rica we had gotten a 123 stuck in the mud there, and had to get it out, had to dig it out.

Mr. NIELDS. Were you—this was at the landing strip?

Mr. SECORD. Yes.

Mr. NIELDS. The emergency landing strip?

Mr. SECORD. Right. The dirt strip.

Mr. NIELDS. Did you eventually get the aircraft unstuck?

Mr. SECORD. Yes. But it took about a day to get it out of there and everybody was in a sweat about it because they were afraid—they claim we were basing an airport there or something. It was to be based there permanently. We could hardly get it out.

Mr. **Nields**. I would like you to switch forward two or three pages, to a page which has three KL-43 messages on it. In the top it says in handwriting, "from Bob Earl." Who is Bob Earl?

Mr. **Secord**. An assistant to Oliver North.

Mr. **Nields**. And who is the message to?

Mr. **Secord**. This message was to my office. I think it was received by Bob Dutton, but I saw it shortly thereafter.

Mr. **Nields**. This is your office in Vienna, Virginia.

Mr. **Secord**. Yes.

Mr. **Nields**. The message starts off, "Conduct emergency recall immediately." This is Earl directing you to conduct an emergency recall?

Mr. **Secord**. That is what it says.

Mr. **Nields**. He says,

> Bring the maintenance and air crews out of there quietly, but quickly. Leave all equipment, including airplanes. Bring back only personal equipment. Destroy registration plates on aircraft if possible, but don't damage the aircraft.

Why is he telling you to do that?

Mr. **Secord**. By this time, this is August of 1986—by this time our airlift operation is having a great deal of difficulty with the host base authorities, and part of this difficulty relates to the earlier difficulties I mentioned to you that we were having with Mr. Rodriguez.

I believed that either the American Embassy or the military mission in El Salvador had communicated somehow with the White House, saying that there was a big confrontation brewing with the military authorities there over this airlift operation over who controls it, how it should be controlled, operated and flown and so forth.

So they sent us this message, which as the later messages show you, I rejected immediately.

Mr. **Nields**. Yes.

The next message, I take it, is a reply.

Mr. **Secord**. And the reply is from me, presumably to Earl. I don't think North was there.

Mr. **Nields**. And it says, "There is more than $1 million worth of equipment, spares, and something located at the airfield. I presume your message results from telecon with Ollie."

Is that North?

Mr. **Secord**. Yes.

Mr. **Nields**. "If so, I must remind you that these assets are owned by Udall Research Corporation and there is no intention of abandoning them."

Were you asserting at that point that the assets of the air resupply operation were private property?

Mr. **Secord**. Yes. And they were. They were the property of Udall Research Corporation.

Mr. **Nields**. Did you understand or did you understand that you could sell those assets and keep the proceeds?

Mr. **Secord**. If we wanted to, certainly we could.

Mr. **Nields**. Now, these assets had originally been purchased out of moneys donated by various people for the Contras.

Mr. **Secord**. Right.

Mr. **Nields**. Is that correct?

Mr. **Secord**. That is correct.

Mr. **Nields**. Did you feel when you received the moneys that you had an obligation——

Mr. **Secord**. No, but you are on the wrong track. We had no intention of selling the airplanes, and it is not a matter of money. It had nothing to do with money.

What it has to do with is abandoning a project that we had sweated over for a long, long time and was finally functioning, and to abandon it simply because there are some personalities clashing was not acceptable to me, and I rejected the suggestion and insisted—you will notice later on I said that, "I insist on an immediate meeting with Steele or the ambassador," who happened to be here in Washington at that time.

Mr. **Nields**. What claim were you responding to when you said that the assets are owned by Udall Research Corporation?

Mr. **Secord**. They were owned, they were registered and were the property of Udall Research Corporation.

Mr. **Nields**. Was anyone else advancing a contrary claim?

Mr. **Secord**. I was told—I don't know if it was in conjunction with this particular—in conjunction—I don't know if it was operative at this time or a little later time. I just don't remember.

But I was told that Rodriguez was asserting that these things belonged to the Contras and that we were going to—and that we were trying to cut and run and leave the Contras and run, which is just complete nonsense. We were trying to do just the opposite.

Mr. **Nields**. Did you, in fact, pull the equipment out or did you stay in?

Mr. **Secord**. No, I rejected the suggestion, and we did stay and continued to operate.

Mr. **Nields**. I would like you——

Mr. **Secord**. And we worked out the problem, too, by the way. We finally did work out the problem.

Mr. **Nields**. I would like you to turn two pages and it should bring you to KL-43, message handwritten at the top, "Steele 8 August."

Do you have that one in front of you?

Mr. **Secord**. No; just a minute here.

Mr. **Nields**. No. 27 in the upper right-hand corner.

Mr. **Secord**. Well, mine—I have one that I think is 27. I don't see steal on it anywhere. It is probably a bad copy.

Mr. **Nields**. Does the message start out from McAllister?

Mr. **Secord**. Yes.

Mr. **Nields**. Who is McAllister?

Mr. **Secord**. Robert Dutton.

Mr. **Nields**. It starts off,

> Just completed longstanding discussion with owners and have convinced them to leave C-123 at your location as there may be more work than expected, especially if we have to fix No. 1C7. It is everyone's intent to continue support for the effort. Max is central problem. He claims aircraft are contra, not independent companies.

Is that the claim that you were talking about?

Mr. **Secord**. Yes.

Mr. **Nields**. And then it continues, "This is not true—"excuse me—"Max claims we are trying to cut and run with Contra aircraft. This is not true. We are not running an aircraft titled to company owned in Panama, not Contras."

Is that the same claim that you were making in the previous KL-43?

Mr. SECORD. Yes, that is exactly correct.

Mr. NIELDS. Then it says, "Sure press and others will be watching and we don't wish to expose non-USG efforts."

Is that non-U.S. Government efforts?

Mr. SECORD. That is right. This is a private effort and we didn't want to be exposed, we didn't want to be blown in the press.

Mr. NIELDS. Why?

Mr. SECORD. See what happened when we were blown? It was just absolute chaos. We were accused of everything under the sun.

Mr. NIELDS. So you anticipated that you would be accused of everything under the Sun?

Mr. SECORD. Without question, given the state of our media. Without question.

Mr. NIELDS. You just referred to the time when your operation was exposed. I take it you are referring to the time when the airplane crashed in Nicaragua and Mr. Hasenfus was captured; is that——

Mr. SECORD. Yes. Progressively the operation was exposed after that aircraft was shot down, a piece at a time it was exposed.

Mr. NIELDS. I would like you to refer now to a document which has been marked exhibit 4.

[The exhibit appears as p. 439.]

Mr. SECORD. OK.

Mr. NIELDS. First of all, can you identify the document? Do you know what it is?

Mr. SECORD. Yes.

Mr. NIELDS. What is it?

Mr. SECORD. This is a description or reorganization, a staff paper prepared by Mr. Dutton. It describes the company, how it is being reorganized for—the enterprise, I should say, not the company because the company belonged to Mr. Gadd—how it was being reorganized to improve its effectiveness and there is no date on this, but I think it was in August of 1986.

Mr. NIELDS. What was the purpose for its preparation?

Mr. SECORD. To give a complete description of the operation, its assets, how it is organized, controlled.

Mr. NIELDS. Did it have to do with a proposed disposition of the organization?

Mr. SECORD. Yes, it was our desire, as I told the Director of CIA in 1985, it was our desire to turn this operation which, by this time, was functioning well, finally, at last, to turn this organization, this operation over to the CIA when they were able to commence operations again pursuant to the 1986 legislation.

North and others were in interagency meetings on this subject from time to time. He wanted, and I wanted to have some good paperwork which he could use and circulate. There was opposition in the bureaucracies to taking this operation over, and I understood the opposition and I anticipated it.

The opposition was based on the grounds that these airplanes were tainted. I think that the agency was concerned that if they were to take it over there would be those in the future who would assert this has been their operation all along and this was just kind of a flim-flam and now the truth was out.

I recognize that as a concern, but I thought that the effectiveness of the operation outweighed the concern because it was not true. It was strictly a private operation. Ultimately, I was told that they did agree to take over this operation and tragically it was just a few days before the C-123 was shot down that they did reach an agreement. If that shoot-down had not occurred, I think we would have had a smooth transition, and they could have taken what they wanted from this operation and discarded the rest.

Mr. NIELDS. Could you turn to page 9 of this document, Exhibit no. 4?

Mr. GREEN. Ours is unnumbered. Could you give us the text?

Mr. NIELDS. It is a list headed assets/expenditures for Project Hope.

Mr. SECORD. OK, I have got it. This is a costing of the assets. This was part of Dutton's study in which he tried to evaluate the worth, the total worth of this operation. It was our thought if they could see what—that we had in it, and exactly what we had in it in terms of line items as well as cost, that it would make them want more to take over the operation.

Mr. NIELDS. It comes up with a total value of just over $4 million.

Mr. SECORD. That is what he estimated it to be.

Mr. NIELDS. Of assets of this air re-supply operation.

Mr. SECORD. Yes.

Mr. NIELDS. Including airplanes, land?

Mr. SECORD. Spare parts, munitions, all the items that are listed here.

Mr. NIELDS. I would like you to turn to the last page of the document. It is headed "options."

Mr. SECORD. Yes.

Mr. NIELDS. It says, under the first option, "sale of entire operation and assets wherein CIA takes control of the entire operation plus assets valued at approximately $4 million. The price would be negotiated and some left below the $4 million."

Mr. SECORD. Yes.

Mr. NIELDS. Was that one of the options?

Mr. SECORD. That was one of his options. He wrote this paper, put it together. It seems to be a logical option. Even there, you see that we prefer option 1 with the proceeds from the sale going back into a fund for continued similar requirements. That was Bob Dutton's view. It was not my view.

He wrote it. I was busy elsewhere at the time.

Mr. NIELDS. Did you review this before it was completed?

Mr. SECORD. No, I did not. But what I told you earlier is the absolute case, and I think that others can attest to that. We were in the process of turning this over to the CIA. That was our preferred option.

Mr. NIELDS. What does it mean—you referred us, I think, to note one which says, "We prefer option 1 with the proceeds from the sale going back into a fund for continued similar requirements."

What does that refer to?

Mr. SECORD. He apparently had in mind going back into the fund in Switzerland to be used to support it Iran requirement, I suppose. I don't know what he meant by that.

Mr. NIELDS. Well——

Mr. SECORD. It is irrelevant. I already told you what policy was. I settle policy.

Mr. NIELDS. This document was not reviewed by you before it was prepared in this form?

Mr. SECORD. It was not.

Mr. NIELDS. I take it, Mr. Secord, I think you have covered this before, but I want to be certain. The assets of this operation had been purchased with donated funds, I take it, at least in part?

Mr. SECORD. That is right.

Mr. NIELDS. Did you regard—and these funds were donated for the purpose of supporting the Contras?

Mr. SECORD. That is right.

Mr. NIELDS. Did you regard, therefore, the assets that had been purchased with these donated funds also to be used solely for the purpose of helping the Contras?

Mr. SECORD. Yes.

Mr. NIELDS. And not for any personal purpose?

Mr. SECORD. No. It would have been very hard to use those for personal purposes. It would have even been very difficult to sell them.

Mr. NIELDS. Mr. Secord, I am going to change topics.

Mr. SECORD. Thank you.

Mr. NIELDS. Referring back to Iran. We started off with a letter dated November 19, 1985. That is exhibit 1.

Mr. SECORD. Yes.

Mr. NIELDS. The letter that Mr. North signed for Mr. McFarlane, can you tell us how long before the date of that letter Mr. North first contacted you on the subject of Iran?

Mr. SECORD. I can't tell you exactly, but I believe it was one day before, at the most.

Mr. NIELDS. You say at the most?

Mr. SECORD. Could have even been the same day.

Mr. NIELDS. Might have been the same day?

Mr. SECORD. Yes. There was quite a bit of urgency to get me—hurry on the road headed for Portugal.

Mr. NIELDS. Did you meet with him personally?

Mr. SECORD. Yes.

Mr. NIELDS. Where?

Mr. SECORD. In his office.

Mr. NIELDS. What did he tell you?

Mr. SECORD. My recollection is that he told me that there was a secret operation that had been underway which was running into difficulty and the difficulties he described were what I would say were logistical difficulties involving the transfer of some missiles from Israel to Iran and that this was a sanctioned—meaning sanctioned by the United States—operation and that it involved among other things, the possibility of getting some of our hostages out of Lebanon.

Mr. NIELDS. What did he—did he tell you anything more about the operation?

Mr. **Secord**. He gave me very few details because I don't think he had many details at the time. He told me that he had been in touch with Mr. McFarlane who was, as I said earlier, in Geneva, that he had also been in touch with the Israelis on the telephone, and that they were trying to move these missiles through—in this case—Portugal, although Portugal wasn't the only place that they could do it; what they wanted to do was transship these missiles through Portugal, that is bring them to Portugal and put them on a different aircraft and fly them to Iran. Obviously, Israel cannot deal directly with Iran.

Mr. **Nields**. Just to make sure we understand, these missiles were going to be coming from where?

Mr. **Secord**. From Israel, from Israeli stocks. They are Israeli I-Hawk missiles, improved Hawk missiles.

Mr. **Nields**. He told you this at the time.

Mr. **Secord**. I believe he told me they were I-Hawk missiles. I know he told me missiles. I believe he told me I-Hawk missiles at the time.

Mr. **Nields**. What did he tell you he wanted you to do?

Mr. **Secord**. It was reported to him by the Israelis that they were unable to get a through flight or staging permission from the Government of Portugal. He knew that we had—my organization had had extensive deals with the armament in Portugal and wondered if I could arrange for this transshipment. I didn't know. It was a difficult question obviously.

The problem was that there was a big sense of urgency about all of this, it had to be done immediately. They had hit a stonewall. That is why I believe it was no more than a day before, maybe even the same day, that I had the discussion with him, when I got this letter.

Mr. **Nields**. Was that the only thing that he wanted you to do at that time?

Mr. **Secord**. Yes.

Mr. **Nields**. What did you say to him?

Mr. **Secord**. I said that I would try.

Mr. **Nields**. What did you do?

Mr. **Secord**. I collected Mr. Clines who had really been handling all of the matters for the enterprise in Portugal and knew them—knew the Portugese scene far better than I did and I departed for Portugal. I think I went on TWA. I went right away, very quickly. I started with Clines to work the problem, working through our colleagues in the armament industry there.

Mr. **Nields**. What day did you arrive? Can you tell us that based on the date of that letter?

Mr. **Secord**. I think I probably arrived on the 20th. That is a guesstimate.

But as soon as we arrived, we went to work and tried to get a handle on the problem. I had been provided with the telephone number of the Israeli businessman in Israel who was handling their part of it.

Mr. **Nields**. Who was that?

Mr. **Secord**. Mr. Al Schwimmer. I didn't know Mr. Schwimmer. I had never dealt with him before so I was dealing from a position of considerable ignorance and I had to deal with him on the telephone. Moreover, I had to deal on an unsecure telephone in order to get a handle on this operation.

I must have talked to Mr. Schwimmer over the ensuing days dozens of times; it seem that way at least. We had no other means of communication. We worked as hard as we could and the senior CIA official at that particular stage was also informed by his headquarters to cooperate with me, and he did, and did a good job.

Mr. NIELDS. Where were you physically during this time?

Mr. SECORD. Lisbon.

Mr. NIELDS. Where?

Mr. SECORD. In the office of the Defex, the corporation we had worked with most.

Mr. NIELDS. This is the corporation that you had purchased arms from?

Mr. SECORD. Yes. And the reason why I went to them was because they are very familiar with the officials that we had to deal with and we dealt through the Defex people in order to approach the foreign ministry and the office of the prime minister.

Mr. NIELDS. What precisely was the problem that you were trying to solve?

Mr. SECORD. To get through flight clearance. And as it turned out, it was more than that. We also had to arrange for the storage of a large number of I-Hawk missiles because they were proposing to ship 80 of them by Israeli 747 wide body to Lisbon, off-load them there, store them there.

So the problem started to grow because it is not easy just to store these very expensive and sensitive missiles.

Mr. NIELDS. Did you know that there was going to be a storage requirement when you met with Mr. North?

Mr. SECORD. No. I don't think he knew it either at that time.

Mr. NIELDS. Can you describe a Hawk missile in terms of size?

Mr. SECORD. Well, I can't give you the exact dimensions, but a Hawk missile was a little longer than this table I am seated at. It is probably a foot and half in diameter. It is a missile which is operated optimized for engaging low altitude targets, antiaircraft. It is a surface to air missile, a very good one.

Mr. NIELDS. How long did you spend endeavoring to obtain landing rights and clearance for the 747 that the Israelis were sending?

Mr. SECORD. It was all a blur because we were working day and night, but I think we were at it for about 3 or 4 days until it became apparent there was no chance of getting Government clearance.

Mr. NIELDS. Who were you communicating with in the United States?

Mr. SECORD. I was communicating by telephone with North and I was also communicating with the CIA official in Lisbon.

Mr. NIELDS. Did you communicate with Mr. McFarlane?

Mr. SECORD. Directly; no.

Mr. NIELDS. Were you told by anyone else that he was involved in this process?

Mr. SECORD. North told me before I left that he was involved and then he got involved again in making a few phone calls to officials in Portugal, trying to at the last minute intervene and solve the problem. But the problem was——

Mr. NIELDS. Was not solvable. How did you learn that?

Mr. SECORD. North informed me by telephone that this was going on.

Mr. NIELDS. Did a second problem arise during the time that you were in Portugal?

Mr. SECORD. Yes.

Mr. NIELDS. Did a problem arise——

Mr. SECORD. Well, after we were unable to get clearance from the Government, it was decided that there would be an attempt to fly the missiles from Israel by a smaller aircraft, a charter airplane, a 707 or DC-8 to some outside location, which turned out to be Cyprus, and then via normal airways, normal flight plan, to Iran.

So they decided to pursue this avenue. Unfortunately the Israeli contractor was unable to contract for any aircraft. He thought he had a DC-8 under contract, as I recall, a 707 or two, but all of them failed to materialize, as I learned later, basically because of the problem of insurance. One can't get aircraft insurance on flights into Iran and none of the charters would go without insurance.

Mr. NIELDS. So what was developed—were you asked to solve the problem?

Mr. SECORD. I was asked if I could solve that problem, since I hadn't solved the other problem, and basically I said I don't see how, really don't see how. But North gave me the number and name of an aircraft operator to contact in Frankfurt, Germany, and I did contact this individual and they responded immediately to my request.

Mr. NIELDS. You were where at this point in time?

Mr. SECORD. I am still in Lisbon. I have not left Lisbon. I am conducting this search by telephone.

Mr. NIELDS. What did you ask them to do?

Mr. SECORD. He was expecting my phone call. He asked me—I asked him if he was available, understood he had several 707's, and I asked him if he was available to take a load of sensitive materials to Teheran, Iran. He said yes.

I said what would be the price. He wasn't sure, but he said he'd get back to me on that.

Mr. NIELDS. How many days after you had arrived in Lisbon did this conversation occur?

Mr. SECORD. I believe about 4 days.

Mr. NIELDS. Up until this point in time——

Mr. SECORD. Maybe 3 days. I'm not sure.

Mr. NIELDS. Up until this point in time, had you made any arrangements to pay this airline anything?

Mr. SECORD. No. No.

Mr. NIELDS. Did you thereafter?

Mr. SECORD. Yes.

Mr. NIELDS. Will you describe it?

Mr. SECORD. There were discussions as to—between Schwimmer and me as to how many missiles one could get on a 707 aircraft. This became a bit of a problem. The initial estimate was you could get 25 of them. It turned out you could only get 17 or 18. They wanted to deliver up to 80 missiles.

I expected that it would cost in the vicinity of $200,000 per sortie, per flight, to ferry these missiles into Iran. It turned out it cost somewhat less than that, but not much less.

And so on that basis, it was going to take four or five lifts, maybe more. Those were about a million dollars. Mr. Schwimmer quickly deposited in our account, Lake Resources account, the million dollars and said to go ahead and lease the airplanes. And I did.

The first airplane went very rapidly to Israel and started loading and there was another airplane that was supposed to come there from Africa. I don't recall whether it got to Israel or not. It was lagging behind a bit.

Mr. NIELDS. This was a plane that was supposed to take the second batch of Hawk missiles?

Mr. SECORD. Yes. They were going to shuttle. This was the concept.

Mr. NIELDS. "Shuttle," did you say?

Mr. SECORD. Shuttle, yes. They had 80 missiles to deliver.

The first flight finally arrived in Tehran and off-loaded the missiles and departed uneventfully and went back to Europe.

Immediately after that, after these missiles were delivered, a good deal of difficulty erupted, so I was informed by North and by Mr. Schwimmer.

Mr. NIELDS. Where were you at this point in time?

Mr. SECORD. Still in Lisbon. Still in Lisbon.

Mr. NIELDS. Can you give us an approximate date when you heard there was difficulty, troubles?

Mr. SECORD. Maybe the 25th of November would be a good guess. Somewhere along in there. Maybe a little later.

Mr. NIELDS. What was the trouble that was described to you?

Mr. SECORD. It wasn't described to me with any precision. It was that the customer—the Iranians—were very unhappy with the materials, the I-Hawks which they had received. They were furious over it, so I was told. There were some intelligence reports to confirm that, as well.

Schwimmer also had similar information which he was getting from his Iranian contacts. They were in a state of considerable consternation in Israel.

And at that time North asked me if I could, as quickly as possible, proceed to Israel and see if I could try to get to the bottom of this dilemma, because there was considerable mystery as to why these things had been rejected, a lot of speculation, but I don't think anybody knew at the time why, what caused the problem.

They were supposed to be happy. Instead, they were unhappy. They were saying, "This is a cheating game," and so on.

So I quickly, as quickly as possible, did go to Israel and I met with the—immediately with the—at that time director general of the Foreign Ministry, Mr. David Kimche, whom I met with previously when I was in the Government a few times.

He gave me just a thumb nail sketch of the information that I already had and suggested that I go to see Mr. Schwimmer at Mr. Schwimmer's home.

So I did that and had a discussion with him for an hour or so, and it was at this discussion that I got the information which told me what the problem was, at least what I thought the problem was.

And that was that among other things, Schwimmer told me that he had been dealing—his company had been dealing, and his associate, Mr. Nimrodi, Yaakov Nimrodi, had been dealing with an Iranian middleman, Manucher Ghorbanifar, whom we later called Ghorba for short.

Mr. Ghorbanifar, whom I had not met or ever heard of, was telling Mr. Schwimmer about his contact's unhappiness with the I-Hawks, and this contact in Iran in the Iranian Prime Minister's office was apparently furious about this, and wanted these embarrassing missiles moved immediately out and was literally screaming about it.

I asked him how this transaction came to pass, how—with—was he sure that there was the same kind of I-Hawk that they had in Iran and all that?

He said, "Oh, no, this is the—they have older Hawks there, and this is the I-Hawk, the improved Hawk."

I said, "Oh."

He said they had had meetings—he and the American, Michael Ledeen, who was somehow involved in all of this, at least in the initial stages of it—had in consultation with Ghorbanifar been told that the Iranians wanted to, as a matter of priority, update their air defense system. They needed air defense help quickly, and specifically, they needed some kind of weapon which could deal with the high altitude reconnaissance aircraft coming out of Russia and out of Iraq and the bombers coming out of Iraq, the high flyers, as we in the trade used to call them.

When he said that, I realized what was the problem. The I-Hawk is designed specifically for low altitude aircraft, has no capability whatever against high altitude aircraft.

And moreover, the Iranian I-Hawks were newer than the later model production than were the Israelis. I knew this because I was in charge of the deployment of the I-Hawk air defense system in Iran when I was the commander there.

So, I next went to a meeting again with Mr. Kimche and with the official, the general who was at that time the director general of the Ministry of Defense, another old acquaintance of mine, by coincidence, and with the commander of the Air Force who was, by coincidence, an acquaintance of mine.

Mr. SECORD. So we had a lengthy discussion in the Office of the Minister of Defense that day, that afternoon, and reviewed the bidding. I told them about this high flier issue, and the generals immediately looked at one another and realized what the problem was because everybody who deals with air defense problems knows the I-Hawk is a low-altitude system.

So to make a long story short, what the problem was that this group of civilians who didn't have any expertise in air defense had concluded, erroneously, that the I-Hawk, which the Israelis had in their inventory, would satisfy the high-altitude problem that the Iranians had brought up and this caused great embarrassment.

They had somehow thought that I meant improved beyond the original concept. I don't know why they thought that. When the

Iranians saw these missiles, they realized they were identical to their own and their paranoia came to the surface immediately.

There was political embarrassment for the official in the Prime Minister's Office and one thing led to another and they were scheming to get those missiles out of there. Enough.

Chairman INOUYE. I think this is a good place to take a short recess.

Mr. Secord, thank you very much. The committee will resume your testimony on Wednesday, May 6 at 10 a.m.

Will you be present at that time, sir?

The Joint Committee will be in recess until 10 a.m. tomorrow morning.

[Whereupon, at 5:01 p.m., the committee adjourned, to reconvene at 10 a.m., Wednesday, May 6, 1987.]

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Richard V. Secord

WEDNESDAY, MAY 6, 1987

SENATE SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
AND
HOUSE SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN,
Washington, DC.

The select committees met, pursuant to call, at 10:00 a.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman INOUYE. The hearings will please come to order.

Before we begin our hearings this morning, Chairman Hamilton joins me in the sad duty to report that William Casey, former Director of Central Intelligence, died this morning. In the coming weeks, as our inquiry unfolds, Mr. Casey's name will be heard frequently with regard to the Iran-Contra affair.

Whatever may be the final judgment of his role in this event, it should not obscure Mr. Casey's distinguished record of commitment to his country. From the Office of Strategic Services to the Securities and Exchange Commission, to the Central Intelligence Agency, Mr. Casey served his Nation with dedication, purpose, and energy.

The record will show that once again, we have Mr. Thomas Green accompanying our witness, Mr. Secord. Mr. Secord, this is to remind you that you are still under oath.

Mr. Nields, please proceed.

Mr. NIELDS. Thank you, Mr. Chairman.

At the outset, I would request that the first four exhibits, exhibits marked numbers 1 through 4, be made a part of the record of this hearing.

Chairman INOUYE. Without objection, so ordered.

[The documents marked Exhibit numbers 1 through 4 appear at p. 415–439.]

Mr. NIELDS. Mr. Secord, before we get back to the story, you testified yesterday that the Lake Resources account received a deposit of $1 million in November of 1985. You indicated that that happened several days after you arrived in Portugal, and that it was advance payment of transportation expenses.

I think you also indicated that it was not part of your job to take care of transportation until several days after you arrived in Lisbon. We reviewed bank records provided by Mr. Hakim, and they reflect the $1 million that was deposited on November the 20th.

Why was it the day on which you arrived in Portugal? Can you give us any explanation of that?

Mr. **Secord**. Yes. My recollection was as I testified yesterday, it is, of course, possible that the matter of transportation was discussed a few days earlier than that in my initial discussions with Oliver North.

I don't recall it, but it is possible that that could have occurred, and North could have been in touch with Mr. Schwimmer two days earlier than I recall.

I don't have any recollection of that timeframe.

Mr. **Nields**. Mr. Secord, yesterday, you had just finished telling us about an action in which while you were in Portugal arranged for the F-80 Hawk missiles from Tel Aviv to Tehran, that they were to go 18 per plane and that there were to be approximately four or five planeloads.

I think you also testified that after the first plane containing the Hawk missiles arrived in Tehran, the Iranians indicated that they were the wrong type of weapons, and they didn't want any more, and that you then went to Israel to do an investigation and find out what had happened, and I think you told us that when you got there, you learned the Israelis, through the Iranians, had wanted missiles that would shoot down high-flying planes, and that these Hawk missiles were built for lower-flying planes.

Mr. **Secord**. That is correct.

Mr. **Nields**. Before we go on with the story, I would like to ask you who in the U.S. Government was aware, to your knowledge, that Hawk missiles were being shipped to Iran in November of 1985?

Mr. **Secord**. Mr. McFarlane, so I was informed by Oliver North, was aware. Oliver North, of course, was aware. Certain officials in the Central Intelligence Agency became aware. I know this, because they were communicating with their field office in Portugal, and I personally informed a senior CIA official in Lisbon the nature of the cargo.

I don't know whether he knew that in advance or not, because of course, I didn't see their cable traffic. But I would be certain he reported that back to his headquarters.

Mr. **Nields**. Anyone else?

Mr. **Secord**. I don't believe that there are any others that I was aware of.

Mr. **Nields**. I take it you're including, Mr. North?

Mr. **Secord**. Yes, of course.

Mr. **Nields**. When you were in Israel, did you learn anything else when you had your meeting with Israeli firms?

Mr. **Secord**. There was one other issue that was raised by the Israelis during my discussions with them in the Ministry of Defense. That was the issue of previous delivery of 508 TOW missiles from Israel to Iran.

They assumed that I knew of this earlier delivery which took place, I believe, in August and September in two traunches, 100 and 400, but in fact, I did not know of this, so this was news to me.

The reason why the issue was raised with me was because the Israeli firms and the Minister of Defense knew that I was very knowledgeable of the U.S. rules and regulations and laws with respect to foreign military sales.

They told me that they had been assured that these 508 missiles would be replenished by the United States, which didn't particularly surprise me, but what did bother me was the assertion that Mr. McFarlane had assured them that these would be replenished free of charge.

In other words, the Israelis were not expected to pay for these missiles through the normal foreign military sales channels. I told the Director General of the Ministry of Defense that I acknowledged that he had a communications problem, because I knew of course, there was no statutory authority for such a move.

I was not thinking of the CIA channel at that time, I was thinking of the normal foreign military sales channel. I suggested the way to handle it was to reprogram their existing foreign military sales credits and procure the items through the U.S. procurement office in the normal fashion.

They said no, that was not the case at all, that I was wrong, that in fact they had been assured that these missiles would be replenished free of charge.

I said replenishment can mean different things, and I really believe that you are wrong. You should talk to Bud McFarlane about this. We left it at that. I later reported this to North and to Mr. McFarlane personally.

Mr. NIELDS. Before we get to that, Mr. Secord, what did you do after you had these conversations with the Israelis in which you found out what the problem was with the Hawk missiles? Did you report back to your people in Washington?

Mr. SECORD. Yes. I reported this back to North and both he and the Israelis suggested that I go on from Israel to Europe to meet with Mr. Ghorbanifar, whom I had never met before.

Mr. NIELDS. Mr. Secord, at this point in time, I take it there are now 18 Hawk missiles in Tehran which the Iranians don't want?

Mr. SECORD. That is correct.

Mr. NIELDS. The hostages have not been released?

Mr. SECORD. Correct.

Mr. NIELDS. Has any money passed hands, to your knowledge, at the time?

Mr. SECORD. I was told that substantial sums of money were transferred from Ghorbanifar to Mr. Schimmer's company. I didn't know the amounts of money. It was strictly an Israeli transaction. I did not know how much money was involved. I was advised by the Ministry of Defense, however, that they had received no money as of that time for these TOW missiles.

Mr. NIELDS. To your knowledge, what is the status at this point in time when you go to Paris, what is the status of the project? Is it dead? Is it in limbo. Is it going to move forward?

Mr. SECORD. I don't know. Your word limbo probably characterizes it. It was not clear to me whether it was dead or not. The Iranians were very, very unaware with these missiles being there, and they wanted them out. That was all that I knew for sure.

Mr. NIELDS. In any event, you went to Paris and you had a meeting?

Mr. SECORD. Yes.

Mr. NIELDS. Who did you meet with?

Mr. SECORD. With Mr. Ghorbanifar and he was accompanied by Yaakov Nimrodi, an Israeli citizen.

Mr. NIELDS. What was Mr. Nimrodi's role?

Mr. SECORD. He was a business associate of Al Schwimmer.

Mr. NIELDS. Did you talk about what had happened, or did you talk about what was going to happen?

Mr. SECORD. We talked about what had happened, and Ghorbanifar engaged me in quite a bit of conversation about how he thought the game should continue in the future. He had a number of proposals in mind which were interesting. I took notes on these and later, of course, reported the essence of my discussions with Ghorbanifar to North.

I was in no position to negotiate any kind of deal with Ghorbanifar or with anyone else, so I was basically in a receiving mode.

Mr. NIELDS. What were Mr. Ghorbanifar's proposals?

Mr. SECORD. His proposals all were various sets of arms for hostage proposals. He was very interested in what I would characterize as U.S. high technology weapon systems, specifically missile systems, for their F-14s. Harpoon missiles, other air intercept missions were mentioned a few times and Two missiles, and even though the I-Hawk missiles were sitting on the ground in Iran and he knew that they were not wanted. He still talked from time to time about shipping I-Hawk missiles.

He came up with different formulas—so many Phoenix's for so many boxes, as he called them, which was his code word for hostages. It was blatantly a set of proposals of arms for hostages.

He had a boilerplate kind of salesmanship pattern, which he put out very glibly, which talked about the strategic setting and things that he knew Americans would like to hear. The Russian threat, the Iranians were being held hostage by the hostages themselves, and they needed to move on. But it was my impression that Ghorbanifar was more interested in business than he was in foreign policy.

Mr. NIELDS. Did you reach any kind of agreement during these meetings?

Mr. SECORD. The only agreement we reached was an agreement to meet in London because I was reporting back to North and I was informed that they had agreed with the Israelis to meet in London, they, North, and it later turned out that Mr. McFarlane came to London as well.

Mr. NIELDS. What was the approximate date of the meeting in Paris?

Mr. SECORD. The first week of December.

Mr. NIELDS. And did there—did you go to a meeting in London?

Mr. SECORD. I had some other business to see to in Paris for a day or two and then travelled to London to meet with the Israelis and Mr. Ghorbanifar and the approximate date, my recollection of that date was probably about the 6th or so of December that I went to London.

Mr. NIELDS. Who did you meet with?

Mr. SECORD. And I met again with Mr. Nimrodi, Mr. Ghorbanifar, Mr. Schwimmer had come up from Israel by this time and he was in the meetings. And Mr. Kimche also arrived in London for the meetings.

Mr. NIELDS. Where did the meeting take place?

Mr. SECORD. It took place in Nimrodi's townhouse near Hyde Park in London.

Mr. NIELDS. I take it this is a meeting at which Mr. North and Mr. McFarlane were not present?

Mr. SECORD. That is correct. I talked with all these people the day before North arrived and talked about a possible agenda, although no agenda was never written out or agreed to, we just talked about how the meeting should be approached. I did not know at the time that Mr. McFarlane was coming.

I think I was notified by North after he arrived.

Mr. NIELDS. After who arrived?

Mr. SECORD. After North arrived in London.

Mr. NIELDS. Before we get to North's arrival, what happened at the meeting with the Israelis and Ghorbanifar?

Mr. SECORD. Again, we went over briefly what had happened, what the probable problem was and then listened to Ghorbanifar and Nimrodi—Nimrodi was actively engaged in this talk about how one could proceed in the future. They were getting themselves prepared to talk with North, the U.S. official and they wanted to proceed, they wanted to keep the game going, they wanted to continue in their dealings with Iran and they were seeking ways in which they could continue.

Therefore, several different ideas were tossed around. Again, though they always revolved around these high technology systems which only the United States could supply. Of course, Israel could supply TOWs, but Israel doesn't have harpoons or Phoenix missiles.

So it would require direct involvement of the United States. I didn't have any power to negotiate anything but I wasn't hesitant to inform those people that it was my judgment that there was very little chance that the United States would agree to transfer anything as sensitive as a Phoenix or a Harpoon missile to Iran.

I couldn't see how that could ever happen so I advised them of them but they still kept it in their heads and they did bring it up at the meetings.

Mr. NIELDS. I take it you were there at the request of Mr. North?

Mr. SECORD. Yes.

Mr. NIELDS. What was the purpose for your being there?

Mr. SECORD. I think he wanted me to collect all the information that I could in advance of the meeting, advise him on what their positions were, and I did this.

Mr. NIELDS. I take it a day or so later Mr. North arrived?

Mr. SECORD. Yes, and I would put that approximately the 6th or 7th of December he arrived.

Mr. NIELDS. Did you report to him?

Mr. SECORD. I did.

Mr. **Nields**. Was there a separate meeting between Mr. North and Ghorbanifar and the Israelis before Mr. McFarlane arrived?

Mr. **Secord**. Not to my recollection. I don't think that North met with them until McFarlane arrived. He was collecting information preparing for Mr. McFarlane to arrive and he informed me that Mr. McFarlane was coming.

Mr. **Nields**. Did Mr. McFarlane in fact come?

Mr. **Secord**. He did. He arrived on about the 8th of December in the morning. He came by U.S. Air Force special mission aircraft. We met in the hotel near Hyde Park. North conferred with him privately for a while and then I met with Mr. McFarlane and gave him a re-hash of what I had been reporting to North to prepare him for the meeting. We then proceeded to the meeting and I believe it was early afternoon that the meeting started. That is my recollection at least.

Mr. McFarlane and I and Ollie North went to the meeting together by taxicab and met with all the others that I have mentioned earlier.

Upon arrival McFarlane and Kimche conferred privately for a short time and there was a bit of a dispute that erupted, out of his hearing, amongst several of the Israelis—it was pretty interesting—as to who was essentially to be in control, whether it was to be Schwimmer or a gentleman who had come down from the Ministry of Defense. But then MacFarlane came——

Mr. **Nields**. How did that work out?

Mr. **Secord**. Well, it worked out with Schwimmer asserting that he was in control and, rather than continue the dispute in front of Americans, they calmed it down and it did not become an issue.

It was a silly issue to begin with, because the ensuing discussions were entirely between McFarlane, Ghorbanifar, and Mr. Kimche occasionally commented.

Mr. **Nields**. Would you describe the discussions?

Mr. **Secord**. Briefly, yes. The meeting went on for quite a long while, several hours, and there was—it was badly seated, I may say, because they had Mr. McFarlane seated at a table smaller than this, directly across from Mr. Ghorbanifar. They were practically nose to nose throughout this entire session. And then the rest of us were seated around the room, essentially listening.

McFarlane said that he was there to listen to what had happened and to listen to any proposals that they might have. Ghorbanifar ran through again the whole litany of things that I have mentioned to you here today. He started with his overview, his strategy setting. As I said, it was very good. I have heard him make that address several times. He almost has like a tape.

Very quickly that meeting degenerated. It degenerated into propositions of U.S. arms for U.S. hostages in Lebanon. Ghorbanifar pursued that line with Mr. McFarlane for a long time, far too long. I was glad when the meeting was over, and McFarlane was very, very unhappy with this session. He told me——

Mr. **Nields**. Are you now referring to something that happened after the meeting?

Mr. **Secord**. Yes. He told me after the meeting that he was very unhappy. But it was apparent in the meeting itself. I mean, no U.S. official could agree to such a proposition.

Mr. **Nields**. What did he say at the meeting?

Mr. **Secord**. He said he would report this information back to the President. He committed to nothing. He didn't say he would do anything or wouldn't do anything. He just left.

Mr. **Nields**. How long did the meeting last?

Mr. **Secord**. It lasted several hours, maybe three or four hours. I don't remember. It was too long. It just went on and on, and Ghorbanifar was making his best salesman pitch.

Mr. **Nields**. What did you do after the meeting?

Mr. **Secord**. Taxied back to the hotel, picked up the bags and went straight to the London Airport, whereupon we departed for Washington, Andrews Air Force Base in the plane. The three of us came back that night together, so I had an opportunity to toss this around with Mr. McFarlane and with Colonel North on the way home, and we conferred quite a bit.

Mr. **Nields**. What did you say and what did they say?

Mr. **Secord**. McFarlane said, this was one of the most despicable characters I have ever met. I found that interesting because he was far from the most despicable character I have ever met.

Mr. **Nields**. Who are we talking about?

Mr. **Secord**. Mr. Ghorbanifar.

Mr. **Nields**. Was Mr. Ghorbanifar, if not the most despicable character you have ever met, nonetheless despicable?

Mr. **Secord**. The argument he was advancing was repulsive to all of us, but he's smooth. He was on the wrong line but he was making a hard pitch and he had a lot of tenacity and he just wouldn't stop.

Ghorbanifar wanted—as I have said twice before—the game to continue. That was his objective. He may have posed as an agent of Iran but he was really his own agent. He was a businessman, interested in making money, and that was it. So I didn't argue with Mr. McFarlane on that point.

I did, however, sense in my discussions with him that the Iranian initiative was dead. This seemed to me to be the case. I have made a counter-argument with him and wrote a short, handwritten point paper for him on the airplane. It was my position then, and it had been for a long time, that we had essentially a blank in our strategy planning for that area. Since the revolution in Iran, we had nothing in Iran, we had no idea of what was going on in Iran, we had no relations with Iran, yet it was a vitally strategic piece of territory which is unique in the world.

It seemed to me that if we didn't try to do something to regain a measure of influence or at least relations with Iran, then the Soviets surely would, over time, achieve a powerful sphere of influence there, and where that would lead no one can tell.

In the Defense Department I wrote papers on this subject. I attended interagency meetings on this subject and all we ever did, it seems to me, was wring our hands and say it is a terrible situation. We never did anything.

Mr. **Nields**. Did you convince Mr. McFarlane, with your arguments, oral and written, on the airplane?

Mr. **Secord**. No.

Mr. **Nields**. Did you talk to Mr. McFarlane about anything else on the airplane of note?

Mr. SECORD. I mentioned to McFarlane my meetings with the Israelis in Tel Aviv, and I mentioned that to him when I gave him my first briefing in the hotel. But then we talked about it on the way home, and I mentioned to him again the replenishment of the 508 TOWs which the Ministry of Defense had brought to my attention.

But he wasn't in a mood to talk about those items, he was noncommittal, not particularly concerned about it, and so I dropped it.

Mr. NIELDS. Did he say anything on that plane trip about the approval, or, any approval by this country for that transaction, the shipment by the Israelis of the TOWs?

Mr. SECORD. Yes, I told him in the course of our discussions that I, of course, had not even known there was any TOW transaction in August and September, and he told me that he did know of it, of course, and he said, in fact, the President approved it in July of 1985.

Mr. NIELDS. Before we leave these TOWs, had you talked with anyone other than Mr. McFarlane about the Israeli claim that McFarlane had promised to replenish the TOWs for free?

Mr. SECORD. Oliver North.

Mr. NIELDS. When?

Mr. SECORD. When he first arrived in London, and I may even have mentioned on the telephone, but I don't think in any detail, because it is not the kind of subject you want to talk about on the telephone.

Mr. NIELDS. I take it you told him that the Israelis claimed there was such a promise, and you thought there was a communication problem?

Mr. SECORD. On many occasions, I made that point.

Mr. NIELDS. And what was Mr. North's response?

Mr. SECORD. I was hinting to them that that was the line that they ought to take, that there was indeed a communications problem, because to me it was a simple problem if the Israelis would reprogram, but there was a big problem if they expected the Defense Department to ship them stocks because it is not possible.

Mr. NIELDS. What did Mr. North say?

Mr. SECORD. He said he would check it out.

Mr. NIELDS. Did he ever tell you whether there was a promise to replenish for free?

Mr. SECORD. Yes, but not at this time. It was later, I believe in January.

Mr. NIELDS. What did he tell you then on that subject?

Mr. SECORD. He said that I was wrong, that there was no communications problem, that there had, in fact, been an assurance given to the Israeli Ministry of Defense that these missiles would be replaced free of charge.

Mr. NIELDS. Before we finish this trip home, did you have any understanding as of that time about where the money was for the Hawks that had not been shipped to Iran?

Mr. SECORD. I had a vague understanding, because there was some discussion of the money in the margins. I didn't know numbers, but there had been some transactions taking place in Geneva between Iranian officials, among Iranian officials, Ghorbanifar and Mr. Nimrodi.

Mr. NIELDS. This you heard about at the various meetings you had attended?

Mr. SECORD. Yes, in the margins. But I couldn't put any specificity to it.

Mr. NIELDS. Had you heard in general there had been some kind of a refund from the Israelis to Ghorbanifar?

Mr. SECORD. Yes, there—apparently there had been a quick refund of a certain amount of money when the Iranians were rejecting these 18 missiles. Of course, the deal was originally for 80 missiles, remember, not for 18.

Mr. NIELDS. So your understanding was that Ghorbanifar had originally paid for 80 and that 18 had been shipped, and when they asked that the others not be shipped, there was a refund for the unshipped Hawks?

Mr. SECORD. That was my general understanding of the situation as it stood at that time.

Mr. NIELDS. When you got back from London on the plane with McFarlane and North, what was your understanding with respect to this project?

Mr. SECORD. That the project was finished, terminated.

Mr. NIELDS. Did you ride home with Oliver North from the airport?

Mr. SECORD. Yes. We got a ride downtown, and then he gave me a lift and dropped me at my house on the way home that night, and we chatted about it a bit, and he, too, believed that it was finished.

I had no further discussions about this throughout December. The Tower report is incorrect in that statement that I had many meetings later in December on that subject.

Mr. NIELDS. Before we pick up, I take it you did have some meetings in January?

Mr. SECORD. Yes, sir.

Mr. NIELDS. Before we pick up on those, I want to follow some money for a moment. You testified that you got in November $1 million, the purpose of which was transportation costs. That, I take it, would have covered the five shipments which were contemplated at that time and only one occurred. Does that mean that you spent substantially less than the full $1 million on transportation?

Mr. SECORD. Yes. We spent I think about $130,000 to the 707 operator, and another sum of money for a leased Lear jet. So altogether less than $200,000 was expended in support of that project.

Mr. NIELDS. So more than $800,000 which had been put in by the Israelis remained in Lake Resources?

Mr. SECORD. That is correct.

Mr. NIELDS. What happened to that money?

Mr. SECORD. I assume that they would ask for their money back, but they didn't. And I discussed this with North also, and later—I believe late December—he told me that they were not going to ask for it back, and we could use it for whatever purpose we wanted. We actually expended it on the Contra project.

Mr. NIELDS. Did you and North discuss the fact that you had spent it on the Contra project?

Mr. SECORD. Yes.

Mr. Nields. Did he indicate where the idea came from to use it for the Contra project?

Mr. Secord. I think it was his idea.

Mr. Nields. Did he give any indication that he had discussed this with the Israelis?

Mr. Secord. No.

He told me he discussed it with the Israelis but not as to destination of the funds. So Mr. Schwimmer made a contribution.

Mr. Nields. We will let that one sink in for a minute.

Mr. Secord, I think you said that there came a time in January when you did have some further discussions on the subject of Iran?

Mr. Secord. Yes sir.

Mr. Nields. I take it actually there was that one brief meeting in December with Director Casey in which he was talking about Iran and you were talking about Nicaragua. Other than that, I take it you had no discussions with anyone after you got off that plane in December?

Mr. Secord. No.

Mr. Nields. Until January?

Mr. Secord. That is correct.

Mr. Nields. Tell us what happened in January.

Mr. Secord. I thought—as I said, I thought that the project was finished, aborted, and I didn't even think about it. But in early January, I received a call—I can't put a date on it, but it was just for illustrative purposes, let's say around the 10th, 12th, 13th, somewhere around in there, of January—I received a call from Admiral Poindexter. I was asked if I could drop by, and I did that evening.

Mr. Nields. What was Admiral Poindexter's position at that time?

Mr. Secord. He was the newly appointed National Security Advisor.

Mr. Nields. He had replaced Mr. McFarlane?

Mr. Secord. He had replaced Mr. McFarlane, I believe, starting the first of January.

I went to his office in the White House and spent some time with him that evening. The meeting probably lasted 45 minutes, or an hour, but he was interrupted a number of times by phone calls. He had his aid, Commander Thompson with him, who was in and out of the meeting from time to time.

Admiral Poindexter thanked me. He said he was very appreciative for the services I had rendered and for what I was doing. He, of course, was making references to both the Contra project and to the short trip I had taken to Portugal, Israel, Europe, in November and December.

He said they had been in touch with the Israeli officials again, that the President had decided to try a new initiative towards Iran. He wanted to know if I would be willing to help them in executing this initiative. He said they had been impressed by what I had done earlier when I had run my short inquiry on the Hawk problem, and I said to him at the time, that this thing had appeared to be, from Ghorbanifar's presentation, a swap of American arms for American hostages in Lebanon, and that, to me, was not acceptable, and I thought he knew that.

And he said that this was an entirely new initiative and he explained it to me—and I will hit those points in just a second—and he said that this was not going to be—and he agreed with me, we couldn't live with arms for hostage swap—there was not going to be one.

This initiative was founded on strategic objectives, which were basically to achieve some sort of dialogue with the Iranian Government to make contact with so-called moderate elements, or what I called the pragmatic elements, in the Iranian Government, and to press forward with this initiative in a covert way in an attempt to make a breakthrough.

Conventional methods had not yielded anything, and hopefully, to persuade the Iranians to use their influence to release the hostages being held by Shiite factions in Lebanon.

I said I would be honored to try to do what I could, and that pretty well summarizes the meeting that took place that night.

Mr. NIELDS. You have indicated that he said it was not going to be arms for hostages. Hostages were mentioned, I take it?

Mr. SECORD. Indeed. They were mentioned several times and it is no secret there was great concern in the White House about these hostages. Many avenues had been pursued to try to get them released and there is no question—I don't want anybody to misunderstand me—there is no question that the hostages were an important element in this initiative. No question at all.

Mr. NIELDS. Were arms mentioned?

Mr. SECORD. Yes.

Mr. NIELDS. What was said about arms?

Mr. SECORD. Specific arms were not discussed at this meeting, whether it be TOWs or this or that, but he said that they were convinced that small amounts of arms could be used successfully as bona fides in this initiative.

Mr. NIELDS. What was it——

Mr. SECORD. I agreed, by the way.

Mr. NIELDS. What was it that you were being asked to do?

Mr. SECORD. It wasn't clear at that time. He just asked if I would be willing to help, and I said yes, and I was shortly invited to another meeting in which my role became much more clear.

Mr. NIELDS. Where was that meeting?

Mr. SECORD. That meeting was also held in the White House in the situation room.

Mr. NIELDS. Who invited you?

Mr. SECORD. I was invited by Admiral Poindexter's office. I don't remember whether he told me that night there was going to be a meeting or I got a phone call in a day or two later. But, in any case, it was his office which invited me to the meeting.

Mr. NIELDS. Who was at the meeting?

Mr. SECORD. At this meeting which was, I thought, about the 16th of February—but I note the Tower Report has it a few days later—I don't know exactly—at this meeting were the then general counsel of the CIA, Mr. Sporkin, he had one or two attorneys with him from his office; the Deputy Director of CIA for operations, Mr. Claire George was there; the Chief or the Deputy Chief of the Near East Section of CIA was present; and also present were North—I should point out that Colonel North was not present in the meeting between Poindexter and I. But North was at the situation room meeting. Commander Thompson was in the meeting also.

Mr. NIELDS. Was he a lawyer?

Mr. SECORD. He is a lawyer. He is a naval officer, but he is a lawyer.

Mr. NIELDS. What was the subject of the meeting?

Mr. SECORD. The subject—I thought the meeting was peculiar because I didn't really know why I was there, because they were discussing a financing. I had been told earlier by Admiral Poindexter there was going to be a financing. Of course, there would have to be if there was going to be a covert operation.

The financing, the presidential financing, the order initiating this covert action, was the main subject at this meeting.

Mr. NIELDS. Why were you, a private citizen, invited to a meeting with apparently a number of lawyers who were putting together a presidential financing?

Mr. SECORD. They had already put the financing together and they were discussing it and I thought that they were discussing certain language, and later reports indicate that that financing may already have been typed in final at that point.

I don't recall because it was kind of an academic discussion, as far as I was concerned.

Mr. NIELDS. Was it a signed financing you were talking about there or a draft of a financing?

Mr. SECORD. I don't think the financing was signed when I saw it. I only got a chance to read lone paragraph of it, and I don't recall seeing the President's signature on it, which is why I put the meeting on or before the 17th, because it was signed on the 17th.

Mr. NIELDS. Was there discussion of changes or possible changes in the financing?

Mr. SECORD. There was a discussion of one change that had been made in which they inserted into the language that in addition to the normal action agencies, that the Government would work through third parties in third countries, and that is why I was at the meeting.

I was the third party. I was to be the commercial cutout, if you will. It was their intention to, in some respects, mirror the previous Israeli operation. The previous Israeli operation dealt from the Israeli Government through an Israeli company to an Iranian commercial operator, Ghorbanifar, and then to the Government of Iran, and it was in that fashion that the Israelis dealt with the matter.

Mr. NIELDS. What was the purpose for a commercial cutout, as you put it?

Mr. SECORD. The Governments involved, Israel and the United States, could not deal directly with the Government of Iran.

Mr. NIELDS. Why not?

Mr. SECORD. They had been unsuccessful in establishing any kind of relations. They couldn't deal with them. We were the great satan. There was no way that the Governments could overtly deal one with the other, even if they wanted to, at that point.

Mr. NIELDS. Was this a legal problem or a public relations problem?

Mr. SECORD. I think it was a public relations problem primarily, and I think that they structured it in that fashion, in order to be able to in a practical way deal with Iran.

Mr. NIELDS. Were there legal issues that were discussed at this meeting?

Mr. SECORD. Yes. Whether or not to notify the Congress and how it would be done, or when it would be done. It was discussed that there was legal precedent for delaying notification. I was—I was at the time not very familiar with the laws pertaining to the Central Intelligence Agency, since I never dealt with those when I was in the Pentagon.

So, I was simply a listener at that point. Additionally, it was decided that the United States—this was a very important point—the United States would have to directly ship the weapons rather than taking them from Israeli stocks.

They decided that they would have to do this because of the various statutes that applied to the sale of arms, and it was decided by the lawyers that the Economy Act would have to be utilized whereby one agency in the U.S. Government can purchase from another agency, and so, the plan was for the CIA to buy the materials from the Defense Department stocks, and then to sell them to my organization which in turn would sell them to Ghorbanifar, who in turn would sell them to Iran.

That was the plan, and that is the way the plan was executed for the first several transactions.

Mr. NIELDS. Just to be certain, as the plan was discussed, did the Israelis have any part in it at all?

Mr. SECORD. Sure, it was a joint venture, if you will. The Israelis were to provide the base from which to ship, a secure base, and they were also to provide cover. It was planned that part of the cover for this operation would be that if it were discovered that the Israelis could take the hit, if you will.

Mr. NIELDS. Were the sales to go through Israel in any way? In other words, was Israel at any time going to take possession and ownership of the arms?

Mr. SECORD. No.

Mr. NIELDS. Was that a change from some previous plan?

Mr. SECORD. Yes, it was. Previously, it appeared they had discussed a plan with the Israelis whereby the Israelis would in fact either ship from their own inventories later to be replenished from U.S. inventories, or they would buy from the U.S. and then reship.

That was originally the plan. But they abandoned that plan for whatever reasons, the lawyers had, and came up with a new plan.

Mr. NIELDS. Just so we understand the role of the commercial cutout which I think you have described as being yours—is that correct?

Mr. SECORD. Correct.

Mr. NIELDS. I think you indicated that neither Israel nor the United States could sell directly to Iran. I think you said that that wasn't a legal problem, it was some other kind of problem.

Precisely from whom was this plan designed to keep the fact that the United States would be selling to Iran?

Mr. SECORD. From whom?

Mr. NIELDS. Let me——

Mr. Secord. Who was involved in the planning?

Mr. Nields. No. Let me reframe it. I take it both the United States and officials in Iran knew that the United States was selling arms to Iran.

Mr. Secord. Right.

Mr. Nields. OK. The commercial cutout was designed in order to conceal that fact.

Mr. Secord. Yes.

Mr. Nields. From whom?

Mr. Secord. From the Iranians.

Mr. Nields. Anyone else?

Mr. Secord. No.

Mr. Nields. How about the Congress?

Mr. Secord. If that was intended, it was never discussed in my presence. I don't think that was their plan. I think that they were interested in concealing it from Iran only.

Mr. Nields. When you say Iran, there were government officials in Iran who, of course, were aware.

Mr. Secord. Very few, but there were some. And it was a very delicate matter for these people.

Mr. Nields. And there were a few government officials in the United States who were aware?

Mr. Secord. Yes.

Mr. Nields. Now, was the commercial cutout in part designed to make sure that only a small number of people in the United States were aware?

Mr. Secord. Possibly, but I hadn't considered that point before you just now raised it. It is possible.

Mr. Nields. How about in the case of Israel? You said it was designed to mirror the way it had been handled previously in Israel. For what purpose was the commercial cutout devised in the transactions between Israel and Iran?

Mr. Secord. Clearly to enable the Israelis to deal with Iran. It is even more difficult for the Israelis to deal with Iran than for the United States. There could be no hint officially that Israel was dealing with Iran, and therefore they had to form a commercial relationship.

Mr. Nields. You are saying, I take it, that the fact that Israel was selling to Iran had to be concealed from Iranians?

Mr. Secord. Yes.

Mr. Nields. How about from Israelis?

Mr. Secord. I don't think that entered into their calculus, but I can't talk for them, I can only tell you what I believe.

Mr. Nields. Staying on the subject of the commercial cutout, was it part of the purpose of the commercial cutout to create profit for the commercial enterprise?

Mr. Secord. We did not go into this enterprise—I did not go into this enterprise with the notion of making a profit. As time went on——

Mr. Nields. Right now I am just asking—we will get back to what happened later—but right now I am just asking about the purpose at the time for including a commercial cutout.

Mr. SECORD. There was no intention of profiteering. I know that some people were tossing this word around right now and I resent it. There was no intention of profiteering. None.

Mr. NIELDS. Was there any discussion of profit?

Mr. SECORD. No.

Mr. NIELDS. Any discussion of markup?

Mr. SECORD. There was a lot of discussion about markup because in order to make it work I had to markup the prices in order to pay for all the overhead involved.

Mr. NIELDS. I am talking now about the meeting that you had at which you were discussing the finding and discussing the way the transaction would be structured.

Mr. SECORD. No. There was no discussion of that.

Mr. NIELDS. I take it you are saying that there were later discussions of markup in the context among other things——

Mr. SECORD. Yes.

Mr. NIELDS [continuing]. Of covering your expenses?

Mr. SECORD. That is correct.

Mr. NIELDS. And I take it what you are saying is that the commercial enterprise not only paid a purchase price for the arms but also had to pay expenses involved in transporting them and delivering them?

Mr. SECORD. That is correct.

Mr. NIELDS. I take it that either explicitly or implicitly at this meeting in which the finding was discussed, that you agreed to serve as a commercial cutout?

Mr. SECORD. That is correct. I did not feel that I was a part of the government in any way, that it was clearly a commercial operation.

Mr. NIELDS. I take it there were some transactions which followed?

Mr. SECORD. Yes, sir.

Mr. NIELDS. And I take it you had some meetings in which those transactions were discussed and agreed upon?

Mr. SECORD. That is correct.

Mr. NIELDS. What was the next meeting after the one in which you discussed the finding?

Mr. SECORD. Well, there were several meetings that I was involved in first with Colonel North and then later with some logistics officials and some operational officials from the CIA.

I was informed subsequent to this meeting in the situation room that I have described for you, that a new Israeli official had been appointed to be in charge of this operation.

Mr. NIELDS. Who was that?

Mr. SECORD. This man, it was Amiram Nir from the Prime Minister's Office in Israel. I was told that in very early January, Mr. Nir had come to Washington, held discussions with Colonel North and with John Poindexter and also with Mr. McFarlane to——

Mr. NIELDS. Who informed you of this?

Mr. SECORD. Colonel North. He was reading me into the situation after this meeting in the situation room.

Mr. NIELDS. Would it be fair to say that from then on Mr. North was your principal contact?

Mr. SECORD. Yes.

Mr. Nields. In the U.S. Government?

Mr. Secord. Yes, indeed.

Mr. Nields. Did——

Mr. Secord. I was also told that in January, around the 11th to the 13th of January, Mr. Ghorbanifar had been invited to come to Washington—although I didn't see him—and he was given a polygraph exam which, as usual, he busted.

Mr. Nields. Did you eventually, nonetheless, have a meeting with Mr. Ghorbanifar and others in London in January?

Mr. Secord. Yes, yes, indeed.

Mr. Nields. Would that be the 22nd and 23rd of January 1986?

Mr. Secord. Yes.

Mr. Nields. Prior to that time, had you been made aware of any negotiations with the Iranians in furtherance of this initiative?

Mr. Secord. I had been made aware that there were discussions between North and Ghorbanifar when he was here in Washington, that there had been a lot of discussions between North and Nir on the telephone, but other than that, I don't know of any negotiations.

Mr. Nields. Were you aware that during those negotiations, arms had been discussed?

Mr. Secord. Yes.

Mr. Nields. Were you aware of the type?

Mr. Secord. By this time, I was told that it had been decided and authorized by the President that 4,000 TOW missiles would be available for this initiative.

Mr. Nields. Just briefly, for the record, what is a TOW missile?

Mr. Secord. A TOW missile is a wireguided missile, principally for anti-tank type work.

Mr. Nields. Were you told that there had been any discussions of price?

Mr. Secord. Yes, I was. I was told that when Ghorbanifar was here for his polygraph test, that he had suggested that the price for the TOWs, and he had been told the TOWs were going to be involved, that the price for the TOWs should be $10,500 for the TOW, that his profit would be $500 per TOW, so he said, although we had evidently learned later that he probably charged far more than that in the earlier transactions.

He said that this should be the price, because this was the price he charged during the Israeli transactions in August and September 1985.

Mr. Nields. Did he mention the price or was it North or someone from this side?

Mr. Secord. I was told by North that Ghorbanifar brought it up, and Nir later confirmed that to me, because he had taken it to Ghorbanifar also

Mr. Nields. So, he had offered a price of $10,000 sometime before your meeting in London?

Mr. Secord. Yes.

Mr. Nields. Had you been told that there would be any discussion of hostages?

Mr. Secord. Yes. There were always discussions of hostages whenever there were meeting with Ghorbanifar or the Iranians.

Mr. **Nields**. What was your understanding of the agreement as far as it related to hostages or the status of negotiations on that subject?

Mr. **Secord**. Yet to be defined.

Mr. **Nields**. Who attended the meeting in London?

Mr. **Secord**. I attended the meeting in London, Oliver North, Amiram Nir and Mr. Ghorbanifar.

Mr. **Nields**. What was discussed there?

Mr. **Secord**. At the time, Ghorbanifar raised the subject in front of North and I, with Nir, that he was still owed $5.4 million.

Mr. **Nields**. What was that for?

Mr. **Secord**. This had to do with the I-Hawk transaction. Remember, the Hawks are still sitting in Tehran, the Iranians are still demanding they be removed. He raised this with Nir in front of us, because he hoped to get support from us in this dispute with Mr. Nir.

Mr. **Nields**. Did he?

Mr. **Secord**. No.

Mr. **Nields**. Did Mr. Nir agree to return the money?

Mr. **Secord**. He said they were working on it. I later learned that they did return the money.

Mr. **Nields**. Although this is out of sequence, do you also know whether the 18 missiles were returned?

Mr. **Secord**. Yes, they were returned in our first transaction with Iran, and I covered that in February.

Mr. **Nields**. What else occurred at this meeting?

Mr. **Secord**. Several things. At this meeting, the Israeli representative demanded that their 508 TOW problem be solved, he wanted to know how, how were we going to furnish them with 508 TOWs without Israel paying for them.

Mr. **Nields**. This was an issue between the Americans and the Israelis only?

Mr. **Secord**. Yes. It was not mentioned in Ghorbanifar's presence. This was an issue that Israel wanted assurance on from North, and so it was decided that sufficient monies would be collected in the sale of these 4,000 TOWs to enable me to purchase 4,508 TOWs.

Thus, we were going to collect sufficient funds along the way to offset the purchase of these weapons for Israel.

Mr. **Nields**. Returning to the transaction between the Americans and the Iranians, the future transaction, what was said about that?

Mr. **Secord**. At this meeting, it was discussed that we would have to get from Iran some sort of plan on how we were to proceed with the initiative, agreed plan.

It was high on the agenda of the American side to achieve a high-level government-to-government meeting with Iranian officials.

Ghorbanifar is not an Iranian official.

Ghorbanifar took this request and said that he would pursue it with his contact in the Office of the Prime Minister of Israel. I also passed the Lake Resources account number and address to Mr. Nir at this first meeting. This is the first time I met Mr. Nir. We did not settle the price finally at this meeting, although we talked about the price being $10 million. This is what Ghorbanifar had offered, and that was what I wanted to collect.

I had not yet priced out my operation. There was an awful lot of uncertainty in this operation at that time. We went back to——

Mr. NIELDS. What was said about hostages at the meeting?

Mr. SECORD. It was discussed that the hostages was an issue that we had to get around and get past. Ghorbanifar used his line that Iran, too, wanted to settle this problem because Iran was being held hostage by the hostages, but I don't recall any specific plan being arrived at that meeting.

Mr. NIELDS. Was a plan arrived at some time later between the Americans and the Iranians?

Mr. SECORD. Yes, it was.

Mr. NIELDS. When?

Mr. SECORD. We agreed to meet again. That is about all we agreed at this first meeting. We agreed to meet again. On the 6th of February, we were supposed to meet again in London. North and I both traveled there and so did Mr. Nir, but Mr. Ghorbanifar did not show

Mr. NIELDS. Did there come a later time when you reached an agreement with the Iranians?

Mr. SECORD. Yes, but this was done by telephone between Nir, Ghorbanifar and North.

Mr. NIELDS. And I take it it was reported to you?

Mr. SECORD. Yes, it was. I was kept advised, I think, completely.

Mr. NIELDS. And would this have been in the next week or so after the meeting that was supposed to take place?

Mr. SECORD. It was shortly after. Nir stayed behind in London trying to locate Ghorbanifar. North and I returned home and Nir did locate Ghorbanifar, and it was normal pattern for Ghorbanifar, if he had problems, he would be a no show, he would disappear, go off the scope whenever he had problems. So we could tell whether he had problems. Whenever he thought he had a problem solved, of course, he would be back in the loop again and we would be back in touch with him.

I was in touch with Ghorbanifar on a couple of occasions in February by telephone, and we on one of these occasions, I kind of burned my bridges with Mr. Ghorbanifar, because I was very angry with him. He had made a deposit with the Credit Suisse Bank, which bounced. We couldn't move, we didn't have a cent of U.S. Government money in this operation—never—and we couldn't move without cash in advance, because the whole process was stalled without money, because the CIA had to have money in advance, they would not float with their money. The Defense Department had money in advance, and so on.

Mr. NIELDS. I take it you are saying that until you had the money from the Iranians put in Lake Resources, and out of that money paid to the U.S. Government the price that it was charging for the military hardware, the military hardware stayed in U.S. Government stocks?

Mr. SECORD. Yes, and no moves were made, even preliminary moves, could be made until the money was in the system.

Mr. NIELDS. Getting back to Ghorbanifar——

Mr. Secord. So, I was having a rather acid conversation with Mr. Ghorbanifar on the telephone, and I told him that I thought that he had behaved very poorly, that he was promising the moon always, but never producing, and that I was going to recommend that he be terminated. He misinterpreted that, and he—I don't mean to be funny—he took it the wrong way and he told Mr. Nir that I was going—trying to have him killed. I think I even said later it was not a bad idea, but it was not what I had in mind.

From this time onward, I was complaining, and so were my colleagues, about the Ghorbanifar connection. It seemed to me to be too fraught with problems. It was just a big operational security problem and it was a very inefficient connection, and a very indefinite connection.

Mr. Nields. We will return to that, but let's get back to the transaction that was being negotiated. I take it you learned shortly after 6 February that an agreement had been made?

Mr. Secord. Yes. And the agreement was that the Iranians would meet face to face with U.S. Government officials in Europe and that they would do so after 500 TOWs were delivered, and the first transaction was to involve 1,000 TOWs. So the plan was to deliver 500 TOWs as a sign of our willingness and good faith and then to have the meeting in Europe and then if the meeting were judged to be a successful meeting, to deliver the balance of the first 1,000 TOWs, another 500.

Mr. Nields. I take it the meeting in Europe was not simply a meeting with Ghorbanifar but was a meeting with some other people?

Mr. Secord. Yes. I would like to discuss that now if it is the right time.

Mr. Nields. It is not quite the right time yet. I take it these were Iranian Government officials?

Mr. Secord. That is correct.

Mr. Nields. What was agreed to on the subject of hostages, if anything?

Mr. Secord. There was no agreement on hostages for this transaction. The subject of hostages was one of the agenda items to be taken up at the European meeting.

Mr. Nields. What was the price for the TOWs?

Mr. Secord. The price we charged for the TOWs was $10 million for 1,000 TOWs, and Ghorbanifar finally deposited that amount of money to the Lake Resources account.

Mr. Nields. And then out of that money, you paid the U.S. Government?

Mr. Secord. Yes.

Mr. Nields. And how did you do that?

Mr. Secord. We transferred the money to the U.S. Government, to an account that the agency gave us in Switzerland.

Mr. Nields. Before getting into the meeting in Frankfurt, I take it that the TOWs were, in fact, shipped after the money had been received into the Lake Resources account and the government paid?

Mr. Secord. Yes. We started moving the TOWs out of Texas on the 19th of February, 1986.

Mr. Nields. Did you move them all at the same time?

Mr. **Secord**. Yes. We moved all 1,000 TOWs on two Southern Air Transport 707 aircraft to Israel, and then beginning I think about the 22nd or so of February, we transferred the first 500 TOWs to Tehran.

Mr. **Nields**. How was that done?

Mr. **Secord**. That was done in a secret way by an Israeli 707 aircraft which had been sterilized, that is all markings removed from it, and it was chartered by me. I agreed to pay the Israeli Government a price for the use of the airplane, and I had to furnish the crew.

Mr. **Nields**. Where did the crew come from?

Mr. **Secord**. The crew came from Southern Air Transport. We actually had two crews that were used. They were specially selected from their pilots and they were screened by me, and if there are any heroes in this story, it has to be them. They were tremendous, they were fantastic, they were professional, and they pulled it off beautifully.

Mr. **Nields**. How did they actually go?

Mr. **Secord**. They went by a route I had devised so as to keep them out of any other country's air space. It turned out, with the loads we carried, we could barely fly a long route down the Red Sea in international air space, around the Southern end of the Saudi Arabian Peninsula and up to the Sea of Oman and coast into Iran East of Bandar Abbas. We computed with good weather we could make it safely, pretty safely, to Bandar Abbas.

Of course, planning a route like this on paper and actually flying it are sometimes two different things. Your fuel flow specifics have to be proved. But we were fairly confident that we could do it safety, and we also devised a covert command control and communications system whereby I could control these missions from my command post in Israel.

Mr. **Nields**. Is that where you were during these flights?

Mr. **Secord**. Yes. There have been a lot of reports, even this morning, in the news that I flew to Tehran. I never went to Tehran.

Mr. **Nields**. Did this first shipment of 500 TOWs down the Red Sea and into Iran go smoothly?

Mr. **Secord**. Yes, it went very smoothly. The weather was not bad, and they landed at the airfield in Bandar Abbas on the Southern Coast of Iran and discharged the 500 TOWs, offloaded them there, and then flew empty to Tehran, where they onloaded—they were supposed to onload the 18 Hawks that had been sitting there all this time. There were only 17 Hawks provided to them. They claimed that they had torn down the 18th one looking for something special.

Of course, there was nothing special. And, therefore, they were only returning 17 Hawks. It took almost 12 hours to load those 17 Hawks into the aircraft, and I was in quite a sweat because I was out of contact with them a lot longer than I thought should have been the case.

But finally they came up on the air as they departed Iranian air space and flew uneventfully back to Tel Aviv, and it lifted quite a load from my shoulders. So that was an uneventful series of flights.

Mr. **Nields**. Did the meeting with the Iranian officials then take place a few days thereafter?

Mr. **Secord**. Yes, sir. The meeting started, I think, on the 24th or 25th of February, and——

Mr. **Nields**. Where?

Mr. **Secord**. In the city of Frankfurt, Germany, at the Airport Hotel.

Mr. **Nields**. Who was there?

Mr. **Secord**. Present at this meeting—I flew up from Israel to join the meeting. Present were Oliver North heading the U.S. delegation; the Chief of the Near East Section of the Central Intelligence Agency—I was a member of his delegation; also present was my partner, Mr. Albert Hakim——

Mr. **Nields**. Tell us how he came to be there.

Mr. **Secord**. He didn't want to be there. He protested about being pressed into service there, but he served as our translator and interpreter.

The agency had very few people who were proficient in the Farsi language. They apparently had one lady who was pretty good, but we couldn't use a woman in this role with Iranians, and they couldn't come up with anyone to fill the bill, so we pressed him into service.

I made a slight mistake. I notified Mr. Nir of Mr. Hakim's name as being the U.S. translator, and he passed this to Ghorbanifar, who took extreme exception. He said that Mr. Hakim was an enemy of the State, this was crazy, he knew this name, so I violated one of my own rules. I should have used an alias for him in this covert operation, and I didn't.

For a while I thought that Hakim could not fulfill this role because of the objections. But the agency was not able to come up with a Farsi translator, I am not good enough, and we could not rely on Mr. Ghorbanifar to be our translator.

So in the last days before the meeting occurred, I simply told Albert he had to do the job, and so we disguised him.

Mr. **Nields**. How?

Mr. **Secord**. We—Mr. Hakim has—his hair is a little sparse on top, and we bought a wig for him, a gray wig, and put glasses on him, and amazingly he looked like a totally different man. It was just amazing. Even I couldn't have recognized him. And he filled that role in the meeting.

Mr. **Nields**. What name did he use?

Mr. **Secord**. Ebraham Ebrahim, of Turkish descent, who was a contract translator for the Government. It flew.

Mr. **Nields**. Was Mr. Nir at the meeting?

Mr. **Secord**. He was, and Ghorbanifar knew who he was, but Mr. Nir was under U.S. cover at the meeting.

Mr. **Nields**. Will you explain that, under U.S. cover?

Mr. **Secord**. We passed him off as an American official for the purpose of that meeting.

Mr. **Nields**. By the way, what name were you using and what name was Mr. North using?

Mr. **Secord**. North used the name of Mr. Goode and at this meeting I used the name of General Adams. Now, the reason why that was necessary was that they wanted me to present—that is, North and the agency—wanted me to present part of the intelligence briefing which was to be given at this meeting.

It had been agreed that some representative sample of tactical intelligence information would be briefed to the Iranian delegation and, since it involved a lot of military symbology and order of balance, I was asked to fill that role, so I did.

Mr. Nields. Who was there from the Iranian side?

Mr. Secord. An official from the office of the Prime Minister of Iran, and he had with him an aide and two colonels that he introduced as being from their military intelligence organization. We believed, however, that one of the colonels actually was from the office of the Prime Minister.

Mr. Nields. And Mr. Ghorbanifar?

Mr. Secord. And Mr. Ghorbanifar, yes.

Mr. Nields. Can you just very briefly describe the meeting?

Mr. Secord. Yes. The main meeting which took place—I was not present—it was a meeting among the representatives from Iran along with Ghorbanifar, Oliver North, the CIA official, and, of course, Hakim acted as translator. These meetings were taped surreptitiously. I was briefed later as to what had transpired and my understanding was that North went through his talking points which he had officially a set of talking points and he went through the U.S. strategic objectives, the U.S. concerns about the Soviet threat in the region, the U.S. concern about the continuing Iran-Iraq war and our desire to see an honorable ending to that.

What does honorable ending mean? That you can face your people with the solution that you devise but the killing has to stop. It is destabilizing and so on.

This was the U.S. position. The matter of hostages did come up in this meeting as it always did, but as the tapes would prove, the strategic nature of this initiative occupied most of the discussions.

It was not a discussion about swapping arms for hostages and indeed there were no hostages released nor were any expected to be released as a part of this February deal.

Mr. Nields. You feel certain of that, that there were no hostages expected ~~to be~~ released?

Mr. Secord. I didn't expect any to be released. I was not informed that there was a plan for any to be released as a result of this deal.

Mr. Nields. In any event, you were not told any were to be released and none were?

Mr. Secord. None were and we didn't plan for any to be released.

Mr. Nields. If anything, what was agreed on for the future?

Mr. Secord. The U.S. delegation was pleased with the meeting. It was agreed in this meeting that there would be a future high level meeting between the—and in the near future between high level officials of the U.S. and high ranking members of the Iranian Government and they were talking in terms of foreign ministries and State Department high officials.

Mr. Nields. Would it be fair to say, Mr. Secord, that a lot was made at this meeting out of the fact that officials of the two governments were meeting face-to-face for the first time in a long time?

Mr. SECORD. Yes, that was also a big point when the meeting was summed up at the end, that this was the first time there had been face-to-face discussions between American and Iranian officials since 1981. It was agreed that this meeting would take place on Kish Island, a small island on the south coast of Iran.

Mr. NIELDS. Did you have a reaction to that as a location?

Mr. SECORD. Yes. I was pleased when I learned that Kish was to be the site because I felt that our delegation would be secure there. We have strong forces in the region and although I thought that our friends in Iran were probably going to deal with us in good faith, one couldn't be too sure and I was, of course, conditioned by my previous service trying to release the hostages from Iran in 1980, so I was concerned about the safety of our delegation.

Kish was a great place, I thought.

Mr. NIELDS. Was a meeting actually agreed upon or a specific meeting agreed upon or was it agreed simply to discuss it further in the future?

Mr. SECORD. No, it was agreed that there would be a meeting but there were no specifics, there was no date set and the attendees not named. It was agreed that it would be done as soon as possible in the near future.

Mr. NIELDS. You mentioned some intelligence. Without getting into the details of its nature, can you tell us what was said or done on the subject of intelligence information?

Mr. SECORD. Yes. This briefing was presented to the two colonels.

Mr. NIELDS. This is a briefing by whom?

Mr. SECORD. It was a briefing by me and the Chief of the Near East section of CIA. The briefing consisted of a small section of the Iran/Iraq border in which details of order of battle were described and there was one Ohio-2 photograph that was annotated that was showed to them but not given to them. This was an example—the purpose of the briefing was to show the type of information that the U.S. is capable of providing if they have an intelligence exchange agreement.

Mr. NIELDS. Following the meeting was the second group of 500 TOW missiles actually shipped?

Mr. SECORD. Yes. The meeting was judged to be successful and I was asked to deliver the second set of 500 TOWs and placed a call to my crew, who were waiting in Israel and they delivered the second 500 TOWs, this time to Tehran uneventfully.

We learned that we could fly a little further than we had originally calculated.

Mr. NIELDS. So the TOWs were already in Tel Aviv and after the meeting they were simply shipped on?

Mr. SECORD. Yes, sir.

Mr. NIELDS. Have you, based on your review of the records made available to the committee by Hakim, computed the cost, price received and expenses related to the thousand TOWs that were sold to Iran in February?

Mr. SECORD. Yes, I have.

Mr. NIELDS. Would you tell us how much was paid for them into the Lake Resources account?

Mr. SECORD. Yes. $10 million was paid into the Lake Resources account.

Mr. NIELDS. How much was paid to the U.S. Government out of the Lake Resources account?

Mr. SECORD. The U.S. Government was paid $3.7 million for the TOWs.

Mr. NIELDS. That leaves a difference of $6.3 million?

Mr. SECORD. Yes.

Mr. NIELDS. And what were the expenses associated with that transaction?

Mr. SECORD. There were expenses of $850,000 that were paid; there were $2 million set aside for self-insurance. Israel demanded that these aircraft be insured for a hull value of $2 million each, so if we used one airplane, we had to have $2 million set aside; if we used two, we would have to have $4 million.

Mr. NIELDS. These are the Israeli sanitized airplanes that you were using?

Mr. SECORD. Israeli-owned.

Mr. NIELDS. From Tel Aviv to Tehran?

Mr. SECORD. Yes.

Mr. NIELDS. OK.

Mr. SECORD. You may recall the reason why the Schwimmer breakdown was because he couldn't locate any aircraft, and the insurance problem was the reason. So, our solution to the insurance problem was to set aside $2 million in this case.

Additionally, an amount which was later defined, but not defined then, had to be fenced or set aside to purchase Israeli TOWs. Remember, I said that we would have to purchase after the delivery of 4,000 TOWs, we would have to purchase another 500 for Israel.

Later, that figure was determined to be $822,000. So, that was set aside. Thus, if you do the arithmetic, you will see that we had approximately $2.6 million surplus in our accounts at the end of this transaction, plus a $2 million certificate of deposit.

Mr. NIELDS. I take it once the Israeli airplane had returned back safely, at least for the time being that $2 million was available to you?

Mr. SECORD. It was—it certainly was available, but we never took it out of the CD for the entire period of the operation, because we were always looking forward to the next cycle.

Mr. NIELDS. After this transaction, did you have any discussions with Oliver North about how to use this $2.6 million surplus?

Mr. SECORD. Yes.

Mr. NIELDS. Would you describe that?

Mr. SECORD. Colonel North's position was consistent throughout in February and later that he wanted me to use all available surpluses to support the contra project.

Mr. NIELDS. Did you have a number of conversations with him?

Mr. SECORD. I was comfortable with that. I had a number of conversations with him about this matter over a period of time. There was always a certain amount of tension on this subject because North wasn't running this operation, I was, along with Hakim, and of course, he wasn't sitting around worrying about having enough money to execute it, because we couldn't be in a position of being forced to go back to Ghorbanifar for money if we had an overrun.

That would have been ridiculous, we could never get away with that. We had to keep sufficient revenues in these accounts to stay fluid so that we could go on to the next operation.

And remember, not one dime of U.S. money went into this operation. So we had to be very, very careful on this. So, I was perfectly willing to send funds to the Contra project from these surpluses, and as the bank records which you got from Mr. Hakim show, we did.

But never was I able to send as much as Ollie North thought we should.

Mr. NIELDS. Mr. Secord, was there—were there further discussions and negotiations thereafter on the subject of the meeting between high government officials that we just discussed?

Mr. SECORD. Yes, there were.

Mr. NIELDS. And without getting into each individual discussion, how did those discussions develop?

Mr. SECORD. Well, I think there were a lot of discussions on—by telephone amongst the key players, which were North and Nir, and Ghorbanifar, and between Ghorbanifar and his principals in Iran. But there was a very important meeting which took place the 7th or 8th of March.

I was not in the meeting, but North, the Chief of NE/CIA, and the CIA retired officer who had been recalled for this project, Mr. George Cave, C-a-v-e, and Ghorbanifar all met in Paris to discuss the upcoming meeting at Kish.

At this meeting, Ghorbanifar informed them that he had been informed that Kish was not available. This was no longer an available option. The meeting was to be in Tehran. I learned of this, of course, after they returned from the meeting.

Also, for the first time, Ghorbanifar raised the issue of improved Hawk spare parts, not missiles, but spare parts, as being materials that were now wanted in this initiative, and that that the TOWs were less important, according to him now, that they really wanted the spare parts for the Hawks.

At this meeting, not in Ghorbanifar's presence, of course, it was also agreed that both sides, the Israeli side and the American side, would commence an active search for new channels of communications with Iran. The Ghorbanifar channel obviously was flawed.

Mr. NIELDS. Leaving that aside for the moment—and we will return to it later—keeping on the subject of the meeting, was a meeting eventually agreed on and arranged in Tehran?

Mr. SECORD. Yes. It eventually was agreed to, and it took place in May, much later than expected.

Mr. NIELDS. And who was the American official who attended that meeting?

Mr. SECORD. Mr. McFarlane, and Mr. North—Colonel North, and George Cave attended this meeting, along with another official from NSC staff, Howard Teicher.

Mr. NIELDS. Was there any advance trip in anticipation of and in preparation for the meeting that Mr. McFarlane attended?

Mr. SECORD. There was no advance trip.

Mr. NIELDS. Was there ever one contemplated?

Mr. SECORD. Yes.

Mr. NIELDS. What happened?

Mr. SECORD. It was strongly recommended by three of us—Nir, myself, and North—were all recommending that a preparatory meeting take place. There was, after all, as far as I knew, no agenda even agreed to for this meeting, and so it seemed to me at least—and I think to the others—to be not well organized. In fact, I have been to many, many international meetings and I don't think I have ever been to one where there wasn't some preparatory work done in advance. However, the position was taken that there would be no advance preparatory meeting, that the terms and conditions that had been agreed to in Frankfurt were sufficient in that they would—and that the Iranian side would simply have to deal with that, and so there was no advance meeting and that was a big mistake.

Mr. NIELDS. Mr. Secord, was this meeting in some way tied to the Hawk spare parts that Mr. Ghorbanifar had raised at the March meeting?

Mr. SECORD. Yes it was. The plan that was finally agreed to, again working through Ghorbanifar, the plan finally agreed to was that the plane that the McFarlane delegation came in on, would carry a sample of these spare parts, and they did, they carried one of the 13 pallets of I-Hawk spare parts that were involved, and that was just a sample.

Mr. NIELDS. Let's back up just a bit.

Mr. Secord, can you tell us in more detail about the Ghorbanifar request to purchase spare parts?

Mr. SECORD. Well, he raised this issue in this early March meeting and then later in March, forwarded through Nir to us, a listing of some 240 line items of spare parts that they wanted. They provided the stock numbers from their catalogs and they were just a hodge-podge of spare parts. It didn't make a lot of sense to me.

They included generators, wire bundles, things like this, things that I was fairly sure they already had, quite frankly. But in any case, that was what they wanted, so it was this listing that served as the guide for the CIA to aggregate these parts.

Mr. NIELDS. Were you involved in discussions concerning the price that you would charge or that the U.S. Government would charge for these spare parts?

Mr. SECORD. Yes, I was, and the discussions went on over a several months' period. The delivery was not made until late May, but from March we were trying to price these things. There was a lot of confusion in the system. They couldn't locate all the parts that were wanted initially. The prices changed, always upward. We couldn't even determine what the weight of these parts were going to be for quite a while, or the volume. I didn't even know how many aircraft it was going to take initially.

Mr. NIELDS. Who participated in the discussions of the price that Ghorbanifar would be charged for the Hawk spare parts besides you?

Mr. SECORD. North participated. I think that one of his assistants also listened to us talk about it—Colonel Earl. And also I discussed it with Nir on several occasions.

Mr. NIELDS. We will get into the details later, but I take it it is fair to say that the price that you eventually decided to charge was substantially in excess of the amount of money paid to the U.S. Treasury?

Mr. **Secord**. Yes.

Mr. **Nields**. Did you and North talk about the reason for this difference?

Mr. **Secord**. Yes, of course we did. And there were a number of reasons, and Contra was one of them. The Contra requirements was much on our minds as I think some of the KL-43 messages showed you. We were running out of money to support the Contras. So that was on our minds.

But additionally, I had in my mind at that time, this great concern, this great uncertainty. The prices were rising all the time. I was informed during this timeframe that the earlier transaction had been under-priced by CIA and they had a $240,000 overrun, which had to be paid. I couldn't afford to have an overrun. So that was in my mind.

In April, we had to buy a ship. Of course that became a factor. I didn't even know how many airplanes we were going to have to use initially, and that was a factor.

I discussed this with Nir. I knew that I was going to have to use a minimum of two aircraft, because the aircraft carrying the delegation had to stay with the party in Tehran. That, therefore, meant I had to set aside $4 million for insurance. This was an Israeli demand. So all these factors were combined together, and we finally priced the spare parts at $15 million, and that was what Ghorbanifar put in.

Mr. **Nields**. When you said that was what Ghorbanifar put in, you mean put into Lake Resources, I take it?

Mr. **Secord**. Correct.

Mr. **Nields**. That price was agreed by you and North, and that was the price given to Ghorbanifar?

Mr. **Secord**. That is correct.

Mr. **Nields**. Who actually gave it to Ghorbanifar?

Mr. **Secord**. I am not sure yet, but it appears that he had a financier——

Mr. **Nields**. I am sorry, who told him the price?

Mr. **Secord**. Oh, Nir.

Mr. **Nields**. And who told Nir the price?

Mr. **Secord**. I did.

Mr. **Nields**. Now, I think you indicated that one pallet of these spare parts went with Mr. McFarlane to Tehran?

Mr. **Nields**. Was that pursuant to an agreement with the Iranians?

Mr. **Secord**. That was what I was told.

Mr. **Nields**. And what happened to the rest of the spare parts, where were they?

Mr. **Secord**. They were stored in Israel for later delivery after the Tehran meeting.

Mr. **Nields**. So all of the spare parts, after Ghorbanifar put his money into the Lake Resources account, all of the spare parts were transported first to Tel Aviv, is that correct?

Mr. **Secord**. Yes.

Mr. **Nields**. And is that by Southern Air Transport plane?

Mr. **Secord**. Yes.

Mr. Nields. And you paid for the transportation cost?

Mr. Secord. I paid for it.

Mr. Nields. And then all but one pallet were left in Tel Aviv, and the one pallet went in the plane with Mr. McFarlane and his group, I take it, to Tehran?

Mr. Secord. That is correct.

Mr. Nields. Where were you at the time?

Mr. Secord. I was in my command post in Tel Aviv.

Mr. Nields. Prior to McFarlane's trip, had there been—prior to the time his plane actually took off—had there been discussions on the subject of hostages?

Mr. Secord. Well, there were a lot of discussions. I told you that the hostages were discussed at the Frankfurt meeting. Hostages were discussed with Nir and with Ghorbanifar frequently, by North and by me. But as far as I know, and this will surprise some people I guess, but as far as I know, there was no Iranian agreement to produce all the hostages at the time of the meeting in Tehran. I know that that expectation arose somehow. I don't know how exactly that expectation got into McFarlane's head. You will have to ask him. I don't know.

But I know of no such agreement. I was surprised to learn that that was one of the negotiating points, one of the sticking points.

Mr. Nields. I take it you had been in frequent contact with Mr. North and Mr. Nir in the weeks and days preceding the trip?

Mr. Secord. Yes. Now, we had an expectation that we might be able to convince the Iranians to exercise their influence at the time of the meeting, or shortly thereafter, to gain the release of the hostages. But I knew of no plan for a simultaneous release of the hostages simultaneous with the meeting.

Mr. Nields. What do you know, Mr. Secord, about what actually occurred in Tehran?

Mr. Secord. Well, what I have read in the Tower report and what I was debriefed on by several of the participants when they returned to Israel, I was in communications with the delegation via a special communications system, but I was not privy to their conversations with Washington. Do I had to rely on the debriefing when they returned for my information.

Mr. Nields. Were you actually asked to do something while you were in Tel Aviv and they were in Tehran?

Mr. Secord. Two things.

Mr. Nields. Tell us both.

Mr. Secord. One was to be ready to deliver the other 12 pallets of Hawk spare parts, and I had a second airplane set up for that, and I was actually told to launch it on I think the 27th of May, and we did launch it under positive control, and then after about four hours, I was told to order the plane to return to base, and I did just that.

Mr. Nields. So the plane containing the rest of the Hawk spare parts actually took off, started in flight toward Tehran, and you were instructed while it was in the air to have it return?

Mr. Secord. That is correct. That was part of the plan. This was not an off-hand thing. We had anticipated doing something like this.

Secondly, I had been asked by North sometime just before this mission to support the DEA people in another attempt to locate and perhaps rescue some of the hostages in Lebanon. They were working out of Cyprus, and they picked up some money, which I asked Mr. Hakim to arrange to support their expenses. They had actually picked it up themselves in Geneva.

And this little operation was going on at the same time. It was a little bit confusing for me, and, in fact, after I heard of some curious things about this Cyprus operation, one of which was they wanted my boat, my ship to go down and stand offshore to be used in some operation to pick up the hostages, I got in touch with Mr. Tom Clines and dispatched him to Cyprus to join up with the DEA agents and try to find out what was going on.

I have a lot of faith in Clines' ability as an intelligence officer, in his operational judgment. So he did go there. He assessed the operation and notified me that he gave it no more—initially said 40 percent chance and later a 20 percent chance of success, and it did not succeed. So those are the two things I was asked to do.

Mr. NIELDS. What was the final outcome of this meeting?

Mr. SECORD. The Tehran meeting failed. It stuck on the issue of the failure of the Iranians to arrange for the release of the American hostages, and the McFarlane mission broke off after some discussions with high ranking members of the government. They did go through some discussions there. They did present points. They went down that road, but after a few days and the hostages were not released, they aborted the mission and returned.

Mr. NIELDS. They returned to Tel Aviv?

Mr. SECORD. They returned to Tel Aviv, and then immediately the bulk of the party traveled onward to Washington.

Mr. NIELDS. Did you have any brief conversation with Mr. McFarlane and his party before they traveled on?

Mr. SECORD. Yes, I had a brief conversation with McFarlane himself. He was very disappointed, of course, and so were we all, and I also had a brief conversation with Oliver North, but they were in a hurry to get on home.

Mr. NIELDS. How about Mr. Nir?

Mr. SECORD. Mr. Nir I talked with a lot. He was bitterly disappointed at the outcome. He felt that it had not been handled correctly. He felt they should have stayed longer, thought they were making progress, thought that the Iranians—that it was fair to give the Iranian more time because the Iranians were disorganized, Ghorbanifar's preparations had been inadequate and so on.

Mr. NIELDS. Mr. Secord, simultaneous with the Hawk spare parts transaction, was there a transaction involving TOWs?

Mr. SECORD. Yes.

Mr. NIELDS. And did this relate to the 508 TOWs or however many TOWs it was that the Israelis had been told they were promised replenishment for?

Mr. SECORD. Yes, the Israelis were demanding their TOWs back. Time had gone on and they were unhappy, so it was decided that we would take the 822,000 set aside and the Israelis would add whatever was required to that sum to procure the 508 TOWs, and we shipped them to Tel Aviv at the same time in a separate airplane, but at the same time as we shipped the I Hawk spares.

Mr. **Nields**. Was that also in a Southern Air Transport plane?

Mr. **Secord**. Yes.

Mr. **Nields**. You paid the expenses?

Mr. **Secord**. I paid it.

Mr. **Nields**. And how much additional money did the Israelis contribute at that time to the purchase price of the 508 TOWs?

Mr. **Secord**. They contributed what amounted to $1.4 million.

Mr. **Nields**. And you added that to the 822,000 that you had set aside and paid that to the U.S. Treasury; is that correct?

Mr. **Secord**. Yes, I paid that to the U.S. Treasury.

Mr. **Nields**. Now——

Mr. **Secord**. That is not correct. I paid it—I am sorry, I didn't pay it to the U.S. Treasury. I paid it to the CIA account.

Mr. **Nields**. And, to your knowledge, it went from there into the U.S. Treasury eventually?

Mr. **Secord**. I think it went to the Pentagon.

Mr. **Nields**. Mr. Secord, in May when Mr. McFarlane returned from Tehran, I take it Lake Resources has been paid $15 million for Hawk spare parts, almost all of the Hawk spare parts remain in Tel Aviv, and the hostages have not been released.

What is the status of the arrangement involving the Hawk spare parts and the hostages at that time?

Mr. **Secord**. Well, we were back in limbo again. We were, from my point of view, in a state of considerable confusion because we had been ordered not to deliver the balance of spare parts, so they stayed in Israel.

Mr. **Nields**. Who ordered you not to do that?

Mr. **Secord**. McFarlane and North.

Mr. **Nields**. Now, the spare parts had been paid for.

Mr. **Secord**. They had been paid for. This was a source of a little bit of concern, because Ghorbanifar and the Iranians were demanding that their goods be delivered. They had paid for them; they wanted them delivered.

Mr. **Nields**. Why were you ordered not to deliver them, if they had been paid for?

Mr. **Secord**. Because it was judged that the Iranians had not acted in good faith and that the meeting had been a failure. Therefore, they didn't want to continue the initiative, the initiative was being reviewed with consideration being given to canceling it.

Mr. **Nields**. What was it that the Iranians had not done?

Mr. **Secord**. They had not simultaneously released the American hostages, and therefore it was decided that the spare parts would not be delivered.

Mr. **Nields**. Now, I want to stay with this transaction just for a moment.

Was that issue eventually resolved?

Mr. **Secord**. It was, but it took a long time.

Mr. **Nields**. How was it eventually resolved?

Mr. **Secord**. Ghorbanifar eventually resolved it through discussions and meetings with Nir and with North and also, I believe, with the CIA representative, and it resulted eventually in agreement to deliver the balance of the spare parts after one hostage was released, and the one hostage was released in late July and the parts were finally delivered then in early August.

Mr. **Nields**. These are the bulk of the I-Hawk spare parts?

Mr. **Secord**. The twelve pallets, yes.

Mr. **Nields**. That had been delivered to Tel Aviv in May?

Mr. **Secord**. Yes, that is correct.

Mr. **Nields**. And they were delivered after the hostage had been released?

Mr. **Secord**. That is correct.

Up until that time we were in some financial jeopardy, as you can imagine. We might have had to return a great deal of money.

Mr. **Nields**. I take it a certain amount of that money had been spent on the contras?

Mr. **Secord**. Yes.

Mr. **Nields**. Now, back to the money.

Did an issue arise relating to a price list sometime after McFarlane's visit to Tehran?

Mr. **Secord**. Yes. This further complicated our lives after the Tehran mission because the Iranians were complaining to Ghorbanifar not only that their goods had not been delivered, but they claimed to have a price listing which showed that the price that they had been charged was greatly inflated and unfair, that this was bringing a lot of pressure down on Ghorbanifar's head, and so eventually we got this listing which they called a microfiche listing.

It turned out to be a valid listing, but it was a cost of manufacture listing which, to my understanding, it was a list of prices that the prime contractor could expect from various vendors and so it did not really relate to the price that even the Pentagon pays. It was not a valid list.

But nonetheless they raised a good deal of turbulence over this matter.

Mr. **Nields**. I take it the list showed that the price for these Hawk spare parts was considerably lower than the price they had actually paid.

Mr. **Secord**. That is right.

Mr. **Nields**. And——

Mr. **Secord**. But it was not a valid list of—a valid list of the actual prices.

Mr. **Nields**. But the fact of the matter is the price charged was considerably higher than a true price list would have shown?

Mr. **Secord**. Yes.

Mr. **Nields**. And the price list—did you ever see it?

Mr. **Secord**. I don't recall ever seeing it. It was described to me but I don't recall ever seeing it.

Mr. **Nields**. Do you know whether it was sent to U.S. Government officials?

Mr. **Secord**. It was, yes. It was sent to North's office.

Mr. **Nields**. During this same period of time, did you learn anything that gave you concern about your ability to keep this project secret?

Mr. **Secord**. Yes. It seemed like everything bad was happening in this time frame. I learned after the Tehran meeting that Ghorbanifar claimed that he was dealing with financiers and he named a Saudi, Adnan Khashoggi, as being one of his financiers and that he was not dealing with Iranian money, he was bridging with borrowed money and had been doing so all along. He apparently—apparently the Israelis knew this. I did not know it

Mr. NIELDS. I take it the point here is, Mr. Secord, that he has borrowed money to put into Lake Resources and he can't re-pay that money until the goods are shipped to Iran and Iran pays him?

Mr. SECORD. This was his claim.

Mr. NIELDS. And he claimed that he borrowed from Mr. Khashoggi and someone else?

Mr. SECORD. Well, first it was just Khashoggi that I learned of it. Then I learned there were two Canadian businessmen behind Khashoggi at—at least this was another claim. I am not sure that that was true, but this is the information we were receiving.

And that this was a matter of additional concern yet. Then finally we were told that these people were going to go public, maybe even sue. They, in fact, did through an intermediary contact the Director of the CIA about this problem and so it was unravelling.

Mr. NIELDS. I take it the problem was that he had deposited $15 million in Lake Resources and because the Hawk spare parts had not been shipped he was unable to repay the financiers?

Mr. SECORD. That is correct.

Mr. NIELDS. And they were putting pressure on him and he was complaining to various people, Mr. Nir and Mr. North among them?

Mr. SECORD. That is correct.

Mr. NIELDS. Was that problem resolved when the Hawk spare parts were finally shipped?

Mr. SECORD. I don't think the problem was ever resolved.

Mr. NIELDS. Isn't it a fact that it was not resolved because you learned that Mr. Ghorbanifar said, given the price list, Iran was unwilling to pay the full $15 million?

Mr. SECORD. This was his story. We were never able to confirm this story and the CIA people had serious reservations about that claim.

Mr. NIELDS. But that was his claim?

Mr. SECORD. Yes.

Mr. NIELDS. That he was claiming, therefore, that even after the Hawk spare parts had been shipped and he was unable to pay his financiers, that they were putting increasing pressure on him to do so.

Mr. SECORD. That is what he said.

Mr. NIELDS. I take it you learned from a different source that the financiers were in fact complaining that they had not been paid?

Mr. SECORD. Yes. I learned from North and George Cave that they had approached the CIA and two CIA employees met with the intermediary.

Mr. NIELDS. When was that?

Mr. SECORD. I don't have that date, but probably in August or September.

Mr. NIELDS. Could it have been as late as October?

Mr. SECORD. Sure, it could have been. It was toward the end of this saga.

Mr. NIELDS. Was it at that point in time that you learned that they were threatening to sue?

Mr. **Secord**. No. That was brought up earlier, Ghorbanifar had mentioned this to Nir who mentioned it to North and I.

Mr. **Nields**. Did you learn that they had threatened to reveal the fact that some of the proceeds of this money had gone to the contras and that that is why they hadn't been repaid?

Mr. **Secord**. I don't recall that arising at the time, but later I heard, of course, that they had said this, but I don't recall it being brought to my attention at the time.

Mr. **Nields**. Have you, by reviewing the committee's records relating to the Swiss bank accounts, Lake Resources and others, made a computation of the surplus on the Hawk spare parts transaction that you have just been testifying about?

Mr. **Secord**. Yes, we have made an approximate computation, and——

Mr. **Nields**. Let's start with the money received into the Lake Resources account.

Mr. **Secord**. I recall that we had to procure the 508 TOWs as well as the I-Hawks, so the total money in was about $16.5 million.

Mr. **Nields**. That is 15 from Ghorbanifar——

Mr. **Secord**. And the balance from Israel.

Mr. **Nields**. A million and a half from Israel, approximately?

Mr. **Secord**. Yes, approximately.

Mr. **Nields**. How much——

Mr. **Secord**. 6.5 of that was paid immediately to a CIA account. We have computed from the records of Mr. Hakim——

Mr. **Nields**. That is leaving a difference of approximately $10 million?

Mr. **Secord**. Yes, and then the expenses for the various transportation and related activities, we computed to be about $1.7 million.

Mr. **Nields**. That leaves 8.3?

Mr. **Secord**. Yes, and then we, as I said, reserved—actually we put in a certificate of deposit, additional 2 million for Hull Insurance, leaving 6.5 surplus at that time, plus $4 million in certificates of deposit for insurance.

Mr. **Nields**. Why did you have to add 2 million for self-insurance at that time?

Mr. **Secord**. Because we had to use two airplanes instead of one.

Mr. **Nields**. You had already set aside $2 million from the initial transaction, so there was an additional requirement of a further amount equal to $2 million?

Mr. **Secord**. That is correct.

Chairman **Inouye**. Mr. Nields, may I suggest that we stop the interrogation at this point? The hearing will stand in recess until 2 p.m. this afternoon.

[Whereupon, at 12 noon, the select committees recessed, to reconvene at 2 p.m., the same day.

AFTERNOON SESSION

The select committees met, pursuant to recess, at 2 p.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman **Inouye**. The hearing will please come to order.

Mr. Nields, please proceed.

Mr. Nields. Thank you, Mr. Chairman.

Mr. Secord, just to make certain that the record is clear on this point, you testified in connection with the Hawk spare part transaction, that the amount of money made to the CIA account was $6.5 million.

I take it that includes both the Hawk spare parts and the 508 TOWs sent to Israel?

Mr. Secord. That is correct.

Mr. Nields. And you had received both from monies that you had set aside from an earlier transaction and from an additional amount that the Israelis had given you, you had received about $2.2 million or allocated that amount of money for those TOWs?

Mr. Secord. That is correct.

Mr. Nields. I would like you to turn to documents which have been collectively marked Exhibit 5. Do you have those in front of you?

Mr. Secord. Yes, sir.

Mr. Nields. Are these your notes?

Mr. Secord. They are.

Mr. Nields. Were they made contemporaneously with the transactions that are noted?

Mr. Secord. Yes.

Mr. Nields. In other words, these are not notes that you made recently, these were made at the time?

Mr. Secord. That is correct.

Mr. Nields. Looking at the first page, I take it these are notes relating to monies coming in and monies going out of the Swiss bank accounts that you have been testifying about?

Mr. Secord. Plus planning notes.

Mr. Nields. And when it says all accounts at the top of the first page, that refers to the Swiss accounts?

Mr. Secord. Yes, it does.

Mr. Nields. At the top of the page, it says balance, 7 February 1986, $87,000. Was that an exact amount, or was that an estimate that you made at the time?

Mr. Secord. It was an estimate that I was given at the time by Mr. Hakim.

Mr. Nields. Below it, it says deposits 10, 19 February, 5M refers to $5 million?

Mr. Secord. Yes.

Mr. Nields. And are the two 5M figures the money paid by Mr. Ghorbanifar for the thousand TOWs that were shipped to Iran at about that time?

Mr. Secord. Yes.

Mr. Nields. And the $1 million is a contribution?

Mr. Secord. That is correct.

Mr. Nields. And underneath it are those expenses that were paid out of these monies?

Mr. Secord. Yes.

Mr. Nields. And are a number of the expenses on that list expenses for the benefit of the Contras?

Mr. Secord. Yes.

Mr. Nields. I would like you to turn to the second page of this exhibit. At the bottom of the page, there are some numbers with a line drawn through them. Are those anticipated disbursements which may or may not actually have been made?

Mr. Secord. Yes. This is planning data.

Mr. Nields. And the entries that don't have lines drawn through them, those are actual disbursements, I take it?

Mr. Secord. Yes.

Mr. Nields. I would like you to flip three pages forward. It appears to say at the top of the page continuation sheet number 3. Do you have that in front of you?

Mr. Secord. Continuation sheet number 2? The line at the top is gone from mine.

Mr. Nields. Turn it one page past continuation sheet number 2. Do you have that?

Mr. Secord. Yes.

Mr. Nields. At the bottom, it says deposits 5/14, 5/16, 5/16, there is a deposit of $10 million; is that correct?

Mr. Secord. Yes.

Mr. Nields. And $5 million?

Mr. Secord. Yes.

Mr. Nields. Is that payment for the Hawk spare parts?

Mr. Secord. Yes.

Mr. Nields. There is a figure, $1.46 million; is that the amount of money that the Israelis put into the account for the TOWs?

Mr. Secord. Yes.

Mr. Nields. Down below it, there is a figure, $822,000.

Mr. Secord. Yes.

Mr. Nields. Is that the amount of money that you would set aside from the earlier receipts which are allocated to the purchase of the TOWs?

Mr. Secord. Correct.

Mr. Nields. And that together with the $1.46 million is the amount of money that you actually used to purchase the TOWs?

Mr. Secord. Yes.

Mr. Nields. I would like you to turn to the last page of this exhibit. Do you have that in front of you?

Mr. Secord. Yes.

Mr. Nields. The very last page.

Mr. Secord. I have it.

Mr. Nields. Does the very last page of the exhibit have a list of receipts of disbursements for an earlier time period?

Mr. Secord. OK, that is the next to the last page in my file.

Mr. Nields. I am sorry, next to the last page. Are these receipts and disbursements for an earlier time period?

Mr. Secord. Yes, they are.

Mr. Nields. Is that 1985?

Mr. Secord. Yes sir.

Mr. Nields. Is this money in and out of the Swiss bank accounts that you have been testifying about?

Mr. Secord. Yes.

Mr. Nields. I direct your attention to an entry 5 October 3KG.

Mr. Secord. Yes.

Mr. Nields. What does G mean?

Mr. **Secord**. Colonel North.

Mr. **Nields**. And what does K mean?

Mr. **Secord**. Three thousand dollars.

Mr. **Nields**. Does that mean $3,000 was delivered to Mr. G, to Mr. North?

Mr. **Secord**. Yes.

Mr. **Nields**. Was that cash?

Mr. **Secord**. Yes.

Mr. **Nields**. And what is the purpose?

Mr. **Secord**. I believe that was for a DA expense.

Mr. **Nields**. And is the same true of the 15 October entry below that says 5KG?

Mr. **Secord**. Yes.

Mr. **Nields**. Is the same true of the entry 28 October 3KG?

Mr. **Secord**. Yes.

Mr. **Nields**. Mr. Chairman, I request that exhibit number 5 be made a part of the record at these hearings.

Chairman **Inouye**. Without objection.

[The documents marked Exhibit 5 appear at p. 454.]

Mr. **Nields**. Mr. Secord, you testified to a certain dissatisfaction with Mr. Ghorbanifar as an intermediary in the relationship between the U.S. Government and the Iranian Government. Did you make some efforts in the summer of '86 to find a second channel as it were, to the Iranian Government?

Mr. **Secord**. Yes. Working with Mr. Hakim.

Mr. **Nields**. And that was a channel that bypassed Mr. Ghorbanifar?

Mr. **Secord**. Yes.

Mr. **Nields**. Was this your idea?

Mr. **Secord**. It was an idea that I had for a long time. It was my idea.

Mr. **Nields**. It was yours. You weren't asked to do this by any government official?

Mr. **Secord**. No. But the government knew what I was doing.

Mr. **Nields**. Who in the government knew what you were doing?

Mr. **Secord**. Colonel North knew that I was looking and so did the CIA.

Mr. **Nields**. Did Mr. Hakim talk to some of his old contacts from the days in which he lived in Iran?

Mr. **Secord**. Yes.

Mr. **Nields**. And eventually was a meeting set up in August in Brussels between you and Mr. Hakim and a relative of a high official of the Iranian Government?

Mr. **Secord**. Yes sir.

Mr. **Nields**. And did you pursue at that time the possibility of a long term relationship between the U.S. and Iran?

Mr. **Secord**. Yes.

Mr. **Nields**. And at the end of the conversation, did you mention weapons and hostages?

Mr. **Secord**. Yes.

Mr. **Nields**. Was there then—at that meeting were there any officials of the U.S. Government present?

Mr. **Secord**. No. Only Hakim and I.

Mr. **Nields**. Was a later meeting set up in this country at which government officials were present?

Mr. **Secord**. Yes, in September.

Mr. **Nields**. Was that in the Old Executive Office Building?

Mr. **Secord**. Yes.

Mr. **Nields**. Was Mr. North present?

Mr. **Secord**. He was in charge of the meeting and he was——

Mr. **Nields**. And a representative from the CIA?

Mr. **Secord**. Yes.

Mr. **Nields**. And the same relative of a high Iranian official?

Mr. **Secord**. Yes, along with two assistants.

Mr. **Nields**. Did you again have discussions about a long term relationship between the two governments and at the end of the discussions bring up the subjects of arms and hostages?

Mr. **Secord**. Well, North did this and conducted the discussions. I was the note taker.

Mr. **Nields**. Have I accurately characterized the discussions?

Mr. **Secord**. Indeed.

Mr. **Nields**. Was there a third meeting in October in Frankfurt at which this relative of the Iranian official was present together with you and Mr. North and a CIA official?

Mr. **Secord**. Yes.

Mr. **Nields**. And did you once again discuss long-term relationships between the two countries and also discuss arms and hostages?

Mr. **Secord**. Yes.

Mr. **Nields**. And did Mr. North leave that meeting before any agreement had been reached?

Mr. **Secord**. Yes.

Mr. **Nields**. Did you pursue the conversations then—did you then lead the conversations after Mr. North left?

Mr. **Secord**. With Colonel North's authorization, yes.

Mr. **Nields**. Did you eventually agree on a nine point plan, part of which was that the U.S. Government would ship 500 TOWs to Iran and the Iranians would obtain the release of at least one hostage?

Mr. **Secord**. Yes. I managed to get them to adopt, with minor changes, North's seven point plan, it was then referred to as a nine point plan and was agreed to by them and by me ad ref., that means subject to approval by a higher authority.

Mr. **Nields**. Did you obtain that approval?

Mr. **Secord**. I sent it back to the White House via K.L.-43, and it was subsequently approved.

Mr. **Nields**. Did the sale eventually occur?

Mr. **Secord**. It did.

Mr. **Nields**. How much money was paid by the Iranians for the TOWs?

Mr. **Secord**. $3.6 million.

Mr. **Nields**. And how much—I take it that was in one of your Swiss accounts?

Mr. **Secord**. Yes.

Mr. **Nields**. And how much money was paid out of the Swiss accounts to the CIA account?

Mr. **Secord**. Just over $2 million.

Mr. Nields. What were the approximate expenses?

Mr. Secord. About $220,000.

Mr. Nields. What was the total surplus from that transaction?

Mr. Secord. Approximately $1.3 million.

Mr. Nields. If you take the three transactions that were handled through your Swiss accounts, the first one of 1,000 TOWs, the second of the Hawk spare parts, and the third of the 500 TOWs, what is the combined surplus from the three transactions?

Mr. Secord. When you do that arithmetic, you arrive at a number of $14 million.

Mr. Nields. Does that include the $4 million that you have previously said was, at least, was set aside for insurance purposes?

Mr. Secord. Yes.

Mr. Nields. Were these TOW missiles shipped to Iran approximately October 30th of last year?

Mr. Secord. Yes.

Mr. Nields. Now, exactly what TOWs were they that were shipped on that date?

Mr. Secord. Those TOWs were the TOWs that had been stored in Israel since the preceding May, since May of 1986.

Mr. Nields. Was that the TOWs that we shipped to Israel in May that represented the promise to replenish that had been made the previous year?

Mr. Secord. Yes, but they rejected them due to their age.

Mr. Nields. Is that the reason those TOWs went on to Iran?

Mr. Secord. Yes.

Mr. Nields. Did we subsequently deliver some newer TOWs to Israel?

Mr. Secord. Yes, a few days later after the 30 October delivery.

Mr. Nields. Sometime in early November?

Mr. Secord. Yes.

Mr. Nields. Was a hostage released at approximately the time of these shipments?

Mr. Secord. Yes, just after the shipment was delivered.

Mr. Nields. Were you involved in that aspect of the operation?

Mr. Secord. Yes, I was involved in that. North and I traveled to Beirut for three hours, arriving there at midnight one night, and we spent three hours with embassy personnel briefing them on the intelligence we had been given with respect to the upcoming release. We wanted them to have every possible chance of rescuing the hostage safely.

And so we were able to convey directly to the people who were responsible for going into West Beirut, after they were notified that picking up the hostage, Mr. Jacobsen, had worked well.

Mr. Nields. Did you continue to pursue this second channel thereafter?

Mr. Secord. Yes.

Mr. Nields. I take it you regarded it as promising?

Mr. Secord. I did, and so did CIA and so did North.

Mr. Nields. Did you continue to pursue this channel after the time when there were news reports of the sale of arms to Iran?

Mr. Secord. We tried.

Mr. Nields. I take it that this second channel bypassed Mr. Ghorbanifar?

Mr. SECORD. In effect, yes. We asked them to provide other business for Mr. Ghorbanifar, however, in an attempt to soften the blow.

Mr. NIELDS. I take it you were concerned about—you knew that Mr. Ghorbanifar was not going to like being bypassed——

Mr. SECORD. That is correct.

Mr. NIELDS. And I take it you were concerned about what might happen if Mr. Ghorbanifar became too dissatisfied?

Mr. SECORD. We were concerned about security.

Mr. NIELDS. "Security" means what?

Mr. SECORD. Leaks. Relations.

Mr. NIELDS. That he would make this whole operation public if he was left out?

Mr. SECORD. That was a concern, yes.

Mr. NIELDS. So you asked the people in the second channel to do something which would make him happy?

Mr. SECORD. I did that, yes.

Mr. NIELDS. Did you hear whether that worked?

Mr. SECORD. They agreed, but the arrangements didn't get in place fast enough.

Mr. NIELDS. And there was eventually a leak?

Mr. SECORD. Yes.

Mr. NIELDS. And as we all know, this matter became public?

Mr. SECORD. Yes.

Mr. NIELDS. After it became public, I take it there was eventually a Presidential press conference?

Mr. SECORD. There was a speech and a press conference.

Mr. NIELDS. During the week of the press conference, which is the week beginning November 17th, did you have any contacts with people at the White House on the general subject of what should be said about the Iranian initiative?

Mr. SECORD. Before the Presidential speech, I took the position that the President should make a firm speech which clearly laid out what the objectives were and some of the operational details, and to make no bones about it that it was his operation, that he was responsible for it, had directed it, endorsed it, tried, we failed and were going to try again.

That was the line that I recommended that he take, and in fact I was so concerned about it that I actually drafted a speech—maybe a bit presumptuous of me—and I sent it to Admiral Poindexter through Colonel North on the CL-43. The line was thought to be too hard, however.

Mr. NIELDS. How did you learn that?

Mr. SECORD. I was informed of that by Colonel North.

Mr. NIELDS. What else did you do on this subject or what else happened?

Mr. SECORD. Well——

Mr. NIELDS. Did there come a time when you were asked to go to Colonel North's office in the old Executive Office Building?

Mr. SECORD. During that week——

Mr. NIELDS. The week of November 17th?

Mr. SECORD. Yes. The speech took place before that week. I was called and asked to go to his office on—I believe it was the 18th of November to help them, the staff, and they had several staff members working to compile a chronology for the use of the Director of Central Intelligence in his upcoming testimony to the House and Senate Intelligence Committees.

I believe this was on Tuesday, and I think that the Director's testimony was scheduled for Friday. So I did help—they were trying to reconstruct events. They were trying to put together a chronology working with several different papers and there was a number of people involved in the drafting exercise and I helped.

Mr. NIELDS. I take it you read them?

Mr. SECORD. Yes. Yes.

Mr. NIELDS. Did you—I take it your testimony is you did that on a Tuesday. Did you return sometime later on in the week?

Mr. SECORD. Yes. I was asked again on Wednesday to come back because the work was continuing and they were under a great deal of time pressure because the Director's hearing was close at hand and they didn't have the chronology quite right yet, didn't have it quite well put together.

I came down on Wednesday as requested—I think it was in the morning—and looked at a new version.

Mr. NIELDS. Will you describe what happened when you looked at the new version?

First, tell us who was present?

Mr. SECORD. I think the same people were present both days. I think it was the same group each day, Colonel North, his assistant, Bob Earl, Mr. Howard Teicher of the NSC staff was assisting and Mr. George Cave of Central Intelligence was also assisting.

Mr. NIELDS. Would you describe what happened on the second day when you sat down to read the draft chronology?

Mr. SECORD. I read a few pages into it and came to a part that had been changed significantly and I questioned it.

Mr. NIELDS. What was the change and what did you say?

Mr. SECORD. The change had to do with whether or not the President had approved or acquiesced in the sale or the transfer of the Israeli arms in 1985. And the version on Tuesday, which I had helped out on, laid out the facts as I understood them.

Mr. NIELDS. Which were?

Mr. SECORD. Which were that the President had acquiesced in these transfers. But on the version which I read on Wednesday this had been changed to indicate that the President had not approved, which was not consistent with my understanding of the facts.

However, I was informed by Colonel North——

Mr. NIELDS. What did you say to him? Tell us exactly what you said to him and what was said to you.

Mr. SECORD. I stopped when I came to the relevant portion of the text and said to Colonel North—this is expletive deleted—and he—I think he was expecting me to stop at that point because he was ready for my question. And he said that Mr. McFarlane had drafted that section himself, he had done it the night before after I had seen the earlier draft.

I said, well, it is not my understanding of the facts. He said McFarlane had drafted it himself, meaning that McFarlane was the principle, he should know, and I said, fine, thank you very much, I will get out of you guys' hair and I left.

Mr. NIELDS. I would like to turn to Exhibit no. 7.

Mr. SECORD. OK.

Mr. NIELDS. There are a number of documents together marked Exhibit 7. The one I would like you to look at has "11/20/86, 2000, historical chronology" written on it.

Mr. SECORD. I have it.

Mr. NIELDS. I would like you to turn to page 5 and at the bottom of the first full paragraph it says "McFarlane elevated the question to the President and to the Secretaries of State and Defense and the Director of Central Intelligence." The President stated that while he could envision providing material support to moderate elements in Iran if all the Western hostages were freed, he could not approve any transfer of military material at that time.

Now, I take it you can't tell us for sure whether this is the piece of paper that you read. My question is, is that the sum and substance of the information that was written on the document that you just testified about?

Mr. SECORD. Yes.

Mr. NIELDS. Now, I would like to turn to a document which is dated 11/17/86, 2000, maximum version. I would like you to turn to page 4 of that document, and it says in the middle of the third paragraph or at the beginning of the third paragraph, "On August 22, 1985, the U.S. through the U.S. citizen intermediary acquiesced in an Israeli delivery of military supplies, 508 TOWs, to Tehran." Then, "U.S. acquiescence in this Israeli operation was based on a decision at the highest level." Again, without asking you whether this is the very document that you reviewed at your first trip down to the Old Executive Office Building, is that the information in essence that was in the first draft you looked at?

Mr. SECORD. Yes.

Mr. NIELDS. Now, I would like you to turn back to the document dated 11/20/86, 2000, historical chronology. I would like you to turn to page 6 of that document. Have you read page 6 of that document recently?

Mr. SECORD. Yes, only recently.

Mr. NIELDS. And would it be fair to say that when you were down in the Old Executive Office Building the week of November 17th reading, you stopped at page 5?

Mr. SECORD. That is correct.

Mr. NIELDS. As soon as you get to the part where it said that the President had not approved, you stopped reading, questioned Mr. North and then left?

Mr. SECORD. That is accurate.

Mr. NIELDS. In the second full paragraph on page 6, that relates to the mid-November transaction involving the Hawk missiles; is that correct?

Mr. SECORD. Yes.

Mr. NIELDS. Is that paragraph and the following one accurate?

Mr. SECORD. No. Not in my opinion.

Mr. NIELDS. In the middle of the second paragraph, it says with respect to that transaction, we, I take it that refers to the U.S. Government, were assured at the time that the Israelis were going to buy dry oil drilling parts as an incentive, since we had difficulties measuring over the earlier TOW shipment.

Mr. SECORD. That is not consistent with the facts as I understood them.

Mr. NIELDS. In the next paragraph, it says, in January, we learned the Israelis, responding to urgent entreaties from the Iranians, had used the proprietary to transport 18 Hawk missiles to Iran.

Mr. SECORD. It is not factual.

Mr. NIELDS. It is not factual, because many people in the U.S. Government had known they were Hawk missiles in November, when they were being shipped, is that correct?

Mr. SECORD. Absolutely.

Mr. NIELDS. Now, when Colonel North told you twice that Mr. McFarlane had drafted the second version of the chronology, did you understand him to be asserting that the draft was true?

Mr. SECORD. I understood him to be saying that the principal officer who dealt with the President on this matter had drafted the language, and that was the view that he was putting forward of the facts.

It is not consistent with my understanding of the facts. Moreover, I would like to say that in my view, and as I have said many times later, this was a non-issue. I couldn't understand this. It was a non-issue, in my judgment.

Whether the President approved beforehand or afterhand, who cares? It seemed to me to be a not very important issue that was becoming for some reason an important issue.

Mr. NIELDS. In any event, what Mr. North said to you, what he did, you no longer continued to read the chronology, you simply got up and left?

Mr. SECORD. Yes, sir.

Mr. NIELDS. Mr. Chairman, I ask that Exhibit no. 7, the various documents that have been Exhibit 7, be made a part of the record of this hearing.

Chairman INOUYE. Without objection, so ordered.

[The documents marked Exhibit no. 7 appear at p. 475.]

Mr. NIELDS. Mr. Secord, did you at any time shred any documents relating to the Iranian initiative or to the Nicaraguan project that you were working on?

Mr. SECORD. I had some telephone logs shredded, and some telexes shredded that related to the contra affair, nothing that related to the Iranian question.

Mr. NIELDS. When did you do that, and why?

Mr. SECORD. I did it because I was growing increasingly concerned about the tremendous amount of information being printed in the press linking us to, and my office specifically, to the contra airlift operation.

There had been telephone, supposed telephone records in El Salvador handed over to the press, on which my office number was listed, along with some other telephone numbers, as frequently called numbers here in Washington.

I was concerned that my office was very insecure, it doesn't have any special security information, that in a break-in, people would grab my telephone logs, and we had old logs there going back over a long time, and it occurred—this occurred in, I believe, in early

November, because it was about the time the publicity was becoming bad.

So, I was—I was trying to conceal any documentary evidence that one could get their hands on that would link us to the Contras.

Mr. NIELDS. You say you were trying to conceal it?

Mr. SECORD. From anyone who broke in, yes. And I didn't need those documents. They were all dated, so we got rid of them.

Mr. NIELDS. Exactly what documents were they?

Mr. SECORD. Old telephone logs, copies of telephone messages that had been left over a year and a half or two-year period, thus all the telephone numbers of the people we do business with all over the world were in there. I didn't want those coming out, to be harassed.

And then, there were some telexes with the arms company in Portugal, which I also did not want to be publicized, and I didn't need them, so they were destroyed.

Mr. NIELDS. Did you destroy any other documents than the ones you just described?

Mr. SECORD. I don't remember any documents being destroyed at that time, or any other time.

Mr. NIELDS. Did you destroy any documents after Mr. Meese's press conference?

Mr. SECORD. No.

Mr. NIELDS. Did you destroy any documents after you had received or your company had received any subpoena or official request for documents?

Mr. SECORD. No, we delivered all our documents.

Mr. NIELDS. Mr. Secord, did you receive any money personally out of the Iran initiative?

Mr. SECORD. The only money that I received personally was my salary from Stanford Technology.

Mr. NIELDS. And how much was that?

Mr. SECORD. $6,000 a month.

Mr. NIELDS. Did you receive any other money at all out of the Iranian initiative?

Mr. SECORD. No, I did not. I told you that I forswore my share of the earlier profits, and there were no profits given to me.

Mr. NIELDS. Earlier profits refers to——

Mr. SECORD. The arms brokering that took place in 1985.

Mr. NIELDS. Did that have anything to do with the Iranian initiative to begin with?

Mr. SECORD. No.

Mr. NIELDS. Was it ever——

Mr. SECORD. Your question was Iranian initiative?

Mr. NIELDS. Right.

Mr. SECORD. The answer is no.

Mr. NIELDS. Was it ever contemplated that you would obtain profits or any other kind of remuneration in connection with the Iranian initiative?

Mr. SECORD. No, and there was no profit motivation in this Iranian initiative. We did not price these weapons to generate personal profits. We didn't have in mind a personal profit residue of any kind in this operation. We priced them to create operational revenue. We needed money to operate this thing. The U.S. Government did not provide one nickel for this operation. I was expected to raise the money to run the operation—all of it. This is what the Government expected me to do.

We cut the price on our last transaction down to a very low price for these TOWs because we felt at that time we had a sufficient pool of money for continued operations. This operation was aborted and the residue, the seed there, the $8 million still on deposit is on deposit because we didn't take any of the money.

Mr. NIELDS. Was any of the money from the Iranian initiative set aside for you?

Mr. SECORD. No.

Mr. NIELDS. Was any of it set aside on the books of Mr. Hakim for you?

Mr. SECORD. Not as far as I know.

Mr. NIELDS. Was any of it set aside on the books being handled on Mr. Hakim's behalf for you?

Mr. SECORD. No, and when we looked through Mr. Hakim's records we could not identify any such accounts.

Mr. NIELDS. Mr. Secord, the Senate Committee is in litigation with you, attempting to compel a waiver of foreign bank secrecy requirements. So far, you have prevailed in that litigation. But since then, you have made a decision to come forward and testify without immunity. Will you at any time subsequent to that decision to testify, voluntarily, will you voluntarily execute the waivers that you have previously been asked to?

Mr. SECORD. I am inclined to sign such a waiver, Mr. Nields. I probably will, but I reserve the right to consult on this complex matter with my counsel, and will be in touch with you.

Mr. NIELDS. Now, are you willing to provide the committees with all of your tax returns and related financial information?

Mr. SECORD. Yes, I have already provided you with the tax returns and any other financial statement information you wish, I will be happy to give to you.

Mr. NIELDS. Mr. Secord, I think you have testified that the three transactions with Iran threw off a surplus when you take the price received and deduct the aggregate cost of goods plus expenses. You have testified that it threw off an aggregate surplus of $14 million.

My question to you, sir, is whose money was that?

Mr. SECORD. Well, that is an interesting question, Mr. Nields, and it is———

Mr. GREEN. Excuse me one minute, Mr. Nields.

[Witness confers with his counsel.]

Mr. SECORD. The number $14 million is not the relevant number. The number that is relevant to your question I believe is the $8 million that is in these accounts right now.

Mr. NIELDS. Let me make it perfectly clear, Mr. Secord, I am not asking you—you may answer this later—but my question now is at the time the surplus was created, whose money was it?

Mr. SECORD. It is the Enterprise's money and it was there for continuing operations.

Mr. NIELDS. Who decided, who was entitled to decide how it would be spent?

Mr. SECORD. These decisions were being made by me and they were being relayed to Mr. Hakim, who implemented the decisions.

Mr. NIELDS. Are you asserting, Mr. Secord, that you were entitled to decide to use that money for any purpose that you wanted?

Mr. SECORD. Yes.

Mr. NIELDS. Now, some of the money was used to buy a boat. Is that correct?

Mr. SECORD. Correct.

Mr. NIELDS. That was done at Mr. North's request?

Mr. SECORD. Yes.

Mr. NIELDS. For a U.S. requirement. And that was for a governmental purpose?

Mr. SECORD. Yes.

Mr. NIELDS. Some money was spent to buy Motorola radios?

Mr. SECORD. Yes.

Mr. NIELDS. That was at Mr. North's direction?

Mr. SECORD. At his request.

Mr. NIELDS. And that was for a governmental purpose?

Mr. SECORD. I think it was for—it was in the form of a donation.

Mr. NIELDS. To a foreign government.

Mr. SECORD. Yes.

Mr. NIELDS. Was this something that Mr. North wanted to do to satisfy himself personally, or was there some official purpose to giving a donation to a foreign government?

Mr. SECORD. I think he had had some request for assistance from the U.S. Representative in this country.

Mr. NIELDS. Did you understand he was acting in his official capacity or his personal capacity when he asked you to give money to this Caribbean country?

Mr. SECORD. I always understood him to be in his official capacity.

Mr. NIELDS. So you understood this to be a governmental request?

Mr. SECORD. That is a hard question. I didn't think of it in that way. I suppose the answer is basically yes.

Mr. NIELDS. And Mr. North asked you to give him some cash that he could give to some DEA agents?

Mr. SECORD. Yes. We gave cash to him for that purpose, and also we gave it directly to the DEA agents.

Mr. NIELDS. And that was a governmental purpose?

Mr. SECORD. Yes.

Mr. NIELDS. And a lot of the money was spent on Iranian expenses?

Mr. SECORD. Correct.

Mr. NIELDS. And that was a governmental purpose?

Mr. SECORD. Yes, sir.

Mr. NIELDS. And money was spent on the contras?

Mr. SECORD. Yes.

Mr. NIELDS. That was also at Mr. North's request?

Mr. SECORD. His suggestion.

Mr. NIELDS. Well, I think you indicated he did more than suggest. He urged you continually, as I understand.

Mr. SECORD. Yes, he did, he urged me to do it, but it was my decision, and as I testified earlier, we didn't always send as much money as he thought we should.

Mr. NIELDS. Now, you have asserted a moment ago that in spite of the fact that you were using the money for governmental purposes at Mr. North's request, that you were entitled to take all of the money, $14 million, and spend it for any personal purpose that you wished.

Mr. SECORD. I didn't say personal purpose. You asked if I could spend it for any purpose I wished, and my answer technically is yes.

Mr. NIELDS. Including your personal purpose?

Mr. SECORD. We—never contemplated such a thing. Never.

Mr. NIELDS. Were you entitled to use it for a personal purpose?

Mr. SECORD. In my opinion, yes.

Mr. NIELDS. So you could have gone off and bought an island in the Mediterranean with the $14 million?

Mr. SECORD. Yes, Mr. Nields, but I did nothing to Bimini.

I guess I am trying to make the point, the money is still there, Mr. Nields. It is still there. It is intact.

Mr. NIELDS. Was this expressed in writing anywhere?

Mr. SECORD. No, sir, this was a covert operation, and it was being run under my direction. Mr. Hakim followed my guidance.

Mr. NIELDS. Was this a covert operation of the U.S. Government?

Mr. SECORD. It was in support of a U.S. Government covert operation, and I tried to use covert tactics in order to support that operation.

Mr. NIELDS. In any event, there was nothing in writing that expressed your entitlement to use this money for any purpose you wished?

Mr. SECORD. No, and there was nothing in writing which prohibited it either.

Mr. NIELDS. Did you have any discussions with Colonel North or anyone else in the U.S. Government in which they agreed to such an arrangement?

Mr. SECORD. There were a lot of lawyers in the room, in the situation room, when we were discussing the financing in January of 1986, and my role was laid out as that of the commercial cutout. None of these lawyers told me that I was anything other than the commercial operator. None of these lawyers told me I was a government agent. I wasn't paid a government salary. I didn't get a nickel of government money. I didn't conceive of myself as a government person. I was a private person trying to help my government.

Mr. NIELDS. Well, in the letter which I think has been marked Exhibit 1, signed by Oliver North, it states that "Your discrete assistance is again required in support of our national interests."

Mr. SECORD. Right.

Mr. NIELDS. Did you understand that you were performing functions in the national interest or in your personal interest?

Mr. SECORD. I was performing functions privately in the national interest.

Mr. NIELDS. And you assert that you were entitled to use the money generated from the sale of U.S. military equipment for your own personal purposes?

Mr. SECORD. I didn't say that. I said that technically that that could have been done. That is a hypothetical question because nothing like that was done.

Mr. NIELDS. Now, I take it that the money that came into these Swiss accounts was the purchase price for military equipment in U.S. stocks. Is that correct?

Mr. SECORD. That was correct.

Mr. NIELDS. In fact——

Mr. SECORD. That is partly correct. The money that came into the Swiss account was intended to procure the equipment and to transport the equipment to Iran.

Mr. NIELDS. Well, it was the purchase price that Ghorbanifar was paying for the arms, wasn't it?

Mr. SECORD. Yes.

Mr. NIELDS. And he was paying for arms that were in U.S. Government stocks.

Mr. SECORD. The Government could have charged anything they wanted to for these weapons. The Government charged what they thought they were supposed to charge.

Mr. NIELDS. My only question was, were these arms in U.S. Government stocks?

Mr. SECORD. Yes.

Mr. NIELDS. And, indeed, the price was paid before those arms left U.S. Government stocks?

Mr. SECORD. That is right.

Mr. NIELDS. That was a requirement?

Mr. SECORD. That is correct.

Mr. NIELDS. And Colonel North was the Government official who decided how much money was to be charged to Ghorbanifar; isn't that also true?

Mr. SECORD. Colonel North decided how much?

Mr. NIELDS. That is my question.

Mr. SECORD. No. I decided how much I would charge.

Mr. NIELDS. Did you do that in conjunction with Colonel North?

Mr. SECORD. I had to because he was getting basic prices for me.

Mr. NIELDS. Also Colonel North knew what the price was going to be before he decided whether the Government would sell the arms; isn't that right?

Mr. SECORD. He didn't decide what the Government would sell those arms for. The Pentagon did. He relayed that information to me after it was relayed to him by CIA logisticians.

Mr. NIELDS. Mr. Secord, this was an important Government project that you were working on, was it not?

Mr. SECORD. Yes.

Mr. NIELDS. And the price that was being charged to the Iranians was an important fact in that project, wasn't it?

Mr. SECORD. It was a very important fact to me. If I didn't have sufficient funds to operate the enterprise with, it couldn't be done.

Mr. NIELDS. Well, it was important in another way, wasn't it? If you charged too much, you could jeopardize the whole program.

Mr. SECORD. Yes. But that was never a factor.

Mr. NIELDS. Well, it was a factor, was it not, in the fact that the program eventually fell apart?

Mr. SECORD. I don't believe that the program fell apart because of the dispute over the microfiche list. When we discussed this matter with the second channel, they said that it was not an issue, not an important issue.

Mr. NIELDS. Well, Mr. Ghorbanifar was quite unhappy about the price that was being charged?

Mr. SECORD. Because Mr. Ghorbanifar was being deceptive with us and was dealing with financiers. He had told me he was dealing with Iranian money, and he was not, so he got himself painted into a corner.

Mr. NIELDS. Well, eventually, I think, according to your prior testimony, he claimed that he had never been fully paid for the arms and consequently had not been able to reimburse Mr. Khashoggi, and Mr. Khashoggi threatened to expose the entire operation.

Mr. SECORD. That is correct.

Mr. NIELDS. And Mr. Ghorbanifar was eventually extremely unhappy and there was a leak and the operation was exposed.

Mr. SECORD. That is also correct.

Mr. NIELDS. Wouldn't you agree that the price charged, if too high a price had been charged, that was a fact which could jeopardize the entire operation?

Mr. SECORD. If too high a price were charged, it could jeopardize the operation. But too high a price was not charged.

Mr. NIELDS. What I am asking is, wasn't it a question that the U.S. Government had an interest in?

Mr. SECORD. Well, looking back at it, I suppose you could say that. But I don't recall any discussions about that factor at that time.

Mr. NIELDS. Was there ever a price charged that Colonel North was not aware of in advance?

Mr. SECORD. No, because I informed him completely on everything that we did.

Mr. NIELDS. Was there ever a price charged that he didn't agree with?

Mr. SECORD. No.

Mr. NIELDS. But you are asserting that you had the power to decide what price to charge and to keep the difference between whatever price you charged and the price paid to the U.S. Government, plus expenses?

Mr. SECORD. That is correct.

Mr. NIELDS. In your opening statement you made a reference to Mr. Attorney General Meese's statement on the 25th of November——

Mr. SECORD. Yes, sir.

Mr. NIELDS [continuing]. 1986.

Mr. SECORD. Right.

Mr. NIELDS. And I think you had some uncomplimentary things to say about the statement.

What was it that you objected to in it?

Mr. SECORD. When I learned that the—that an internal inquiry was going on, I was fearful that there would be a rush to judgment, and I asked my attorney, Mr. Green, to go and lay out the outlines of this operation to the Justice Department, to the number two man in that investigation, Bradford Reynolds.

Mr. Green was not aware of any of the details of the Iranian operation. He was not aware there was such a thing until about this time—just shortly before this time—and I had to hurriedly give him a briefing myself.

But he did go and talk on two days, for two days, Monday and Tuesday. That would have been the 24th and 25th of November. And on the 25th of November, Mr. Reynolds informed him—Mr. Green—that he agreed with Mr. Green's thrust, which was that we should slow down, take this thing a step at a time, we will lay it out for you, give you all the details that we can.

We should not rush into the public with this story until you at least have the facts. You couldn't possibly have ascertained the facts in a weekend investigation.

Mr. Reynolds agreed. Minutes later, obviously unbeknownst to Mr. Reynolds, Mr. Meese went before the American people and made his pronouncements and betrayed all of us and it is unforgiveable.

Mr. NIELDS. What else did you do or what did you do, if anything, after he made the announcement?

Mr. SECORD. Well, I was stunned. You mean just before he made the announcement or just after?

Mr. NIELDS. Well, I think it was just after. Did there come a time when you made a call to Admiral Poindexter?

Mr. SECORD. Yes, sir, but it was just before the announcement that morning. I had heard because I had received a call from North's office, in fact, I received two calls from there, that the National Security Advisor Poindexter was resigning and that North was also resigning.

That is what they said. I called Poindexter, it was difficult for me to get through, but I insisted and I was rude in getting through. I asked John what in the world is going on.

He said that it was too late—that it was my intention to urge him not to quit, but to stand in there and fight and let's get this thing straightened out.

But he said it was too late, the resignation had already gone forward and I said, I want to talk to the President personally myself. I insist on it. And I told his aide that I demanded to talk to the President.

He said it was too late, they had already built a wall around the President.

I was very, very frustrated. But time was rushing forward and shortly after my brief conversation with John Poindexter, Mr. Meese made his announcement.

Mr. NIELDS. Did you on another occasion later in the same day after the announcement make a request to speak to the President?

Let me rephrase the question.

Were you and Oliver North together later on in the day in a hotel?

Mr. SECORD. Oh, yes, yes.

By this time my office was just untenable, the press were besieging it. So I went to a nearby hotel for a few hours to consult with my attorney and Oliver North came to the hotel.

Mr. GREEN. Excuse me one minute.

[Witness conferring with his attorney.]

Mr. SECORD. I presume that what you are getting at is the telephone conversation that was received—the telephone call that was received.

Mr. NIELDS. I take it there was a telephone call received while you were there?

Mr. SECORD. Yes.

Mr. NIELDS. For whom?

Mr. SECORD. The call came in for—there were two phone calls that came in for Colonel North. One call was from the President. I didn't realize it was the President for a few seconds until I saw him stand up at attention. He is a good Marine, you know.

And he said, "Yes, Mr. President. Yes, Mr. President. Thank you very much, Mr. President."

And then he said that I am just sorry it had to end this way; I was trying to serve you the best way I knew how, Mr. President.

I said, "Let me have the phone", but it was too late. He hung up. I wasn't fast enough.

Mr. NIELDS. What was it you wanted to tell the President?

Mr. SECORD. I wanted to tell the President that I would like to see him and try to bring some rationality back into this matter. There is no reason to back away from these operations. I mean, maybe there were mistaken judgments taken in the policy, maybe not. I happen to think that it was a good policy.

It was worth the try. But in any case, once you have made a decision like this to back away from it is a terrible mistake in my judgment. They are defensible. The American people would understand the rationale that underlies such a policy. We have done nothing wrong, moreover, in trying to privately support the contras.

We have not broken any law, especially we have not—we were assiduous in making sure that we didn't violate any law pertaining to the Contras, and I have in mind the Boland Amendment when I am speaking of this.

The Iranian initiative was completely legal. Lawyers worked on that as hard as they could. We made some progress in both areas. Some credit could be taken, it seemed to me.

So my advice would have been let's stake out our position; don't cut and run.

But I didn't get a chance to make that kind of a speech. I have made it now.

Mr. NIELDS. Mr. Meese had emphasized in his press conference of that day, the so-called diversion, the use of Iranian arms sales proceeds for the Contras. What was your understanding of the President's knowledge of that issue and what was your basis for it?

Mr. SECORD. Well, I have no direct first-hand knowledge about what the President knew or didn't know as I think everyone knows, I never spoke with the President on this. I was told on a number of occasions and I even recorded it once in a December 1984 memo to myself that the President was informed of my participation in the Contra and later in the Iranian operations. I had talked with the Director of the CIA, who was a close confidant of the President.

I assumed that he was passing information to him. I talked with two different National Security Advisors in the two years in question. I was told by Admiral Poindexter in January of 1986 that not only was he pleased with the work that I had been doing, but the President was, as well.

On a few occasions I heard Oliver North off-hand and I think in a humorous vein remark that in some conversations with the President he had mentioned that it was very ironic that some of the Ayatollah's money was being used to support the Contras. Whether he actually said this to the President or whether he was joking with me, I am not sure. It was not said to me in a way that I took it as a joke.

Mr. NIELDS. Earlier you said that, when you were in the room in which they were working on the finding, you said that the Israelis' role in this transaction was to provide a cover, and if there was an exposure to take the hit. What did you mean?

Mr. SECORD. Well, the Israelis played an important role in this. They were, as I said, joint venture partners. One role which was fairly clear to me was that in this covert operation at least the first level of deniability, normally you have different levels of cover involved in a covert operation and if a certain amount of exposure resulted the first level of deniability or protection for the U.S., if you will, could be that the Israelis would take the blame for the shipments.

Mr. NIELDS. In other words, that the Israelis would say it was the Israelis who were shipping the arms to Iran?

Mr. SECORD. This was an option that was available.

Mr. NIELDS. That would have meant that it would have been the American people and the Congress who would not have found out that arms were shipped to Iran by this country?

Mr. SECORD. If that option were exercised, that is true. That option was never exercised.

Mr. NIELDS. Mr. Chairman, I have no further questions of Mr. Secord at this time.

Chairman INOUYE. Thank you, Mr. Nields.

Mr. VAN CLEVE. General Secord, I want to begin this afternoon by confirming a few background details for the record, if I might. I understand, sir, that you flew more than 250 combat missions in Southeast Asia; is that correct?

Mr. SECORD. Yes.

Mr. VAN CLEVE. I further understand that you received a number of decorations including the Distinguished Service Medal, the Legion of Merit and the Distinguished Service Cross, among others; is that correct?

Mr. SECORD. Yes, sir.

Mr. VAN CLEVE. I understand that during your Air Force flying career you had more than 4,500 flying hours; is that correct?

Mr. SECORD. Yes.

Mr. VAN CLEVE. I understand that during your service in Iran you directed the Military Assistance Advisory Group for the Air Force which mean that you managed all Air Force and some Army and Navy programs as well.

Mr. SECORD. Security Assistance Programs, right.

Mr. VAN CLEVE. You lived in Iran for more than four years?

Mr. **Secord**. Yes, sir.

Mr. **Van Cleve**. And you speak some Farsi?

Mr. **Secord**. I can understand more than I speak. I was tutored in Farsi some years ago.

Mr. **Van Cleve**. Did you serve as the Deputy Commander of the Carter Administration hostage rescue task force created after Desert I?

Mr. **Secord**. Yes, but that was the one created after Desert I. I did not participate in the Desert I raid. I was the Deputy Task Force Commander and the Air Commander.

Mr. **Van Cleve**. After your retirement in 1983 and from then until 1985, did you serve without pay on a panel which directly advises the Secretary of Defense and is known as the Special Operations Advisory Group?

Mr. **Secord**. Yes, sir.

Mr. **Van Cleve**. With that as a prelude, let me start with questions about your involvement with the Contras. About July 1984, you began to become involved in supporting the Contra resistance operation at the request of Colonel North. Why did he approach you for assistance?

Mr. **Secord**. I was one of a number of people he approached for assistance. He was trying to mobilize private individuals to do what they could to support the Contra effort.

Mr. **Van Cleve**. Any other particular reason why he might have approached you?

Mr. **Secord**. He knew of me from my prior service. He had observed me in operation on a number of occasions, I guess, and knew I was a special operations experienced person, and thought that I would be one of several who might be interested.

Mr. **Van Cleve**. Over time, and particularly after mid-85, did you become familiar with many aspects of the Contra resistance?

Mr. **Secord**. Yes.

Mr. **Van Cleve**. Please tell the committee, if you would, about the human aspects of the situation with the Contras in 1985 and 1986. What were the day to day living conditions of the Contras as they were reported to you during that period?

Mr. **Secord**. The Contras were suffering. They were short of money for food and had inadequate clothing and inadequate shelter, especially the families living mainly in Honduras along the border. The troops were not well equipped, they were often without boots, their clothing was often inadequate, they didn't have ponchos. They were short of everything that soldiers need. They were very, very short on money.

Mr. **Van Cleve**. Thank you.

You testified earlier that in early July 1985, you attended a meeting in Miami at the request of Colonel North. At that meeting you participated in a program review of the Contra effort. Looking back to that period, what did that program review reveal with respect to th military situation of the Contras at that time?

Mr. **Secord**. I think the military situation was very bad at that time, and it was likely to get worse. I testified, I think, to my belief, that if an airlift operation were not formed and put into operation fairly quickly they would not be able to sustain themselves in the field and they were going to be defeated in detail.

Mr. Van Cleve. You told the committee that not long after the July 1985 Miami meeting, you decided you would be willing to participate in an airlift operation to support the Contras. I have several questions with regard to this:

First, could you explain why you were willing to participate in this operation? You served essentially as a volunteer, as I understand it?

Mr. Secord. Only because it was judged to be absolutely vital to get it going and no one else seemed to be able to get it going. By this time, I think I had the trust of a number of key players and so I pressed ahead.

I also told you that my close colleagues advised me against doing it because they were afraid of the consequences.

Mr. Van Cleve. On a related matter you testified yesterday that you believed you might be able to return to a high level government position. Did anyone in the U.S. Government tell you that?

Mr. Secord. No. That was my own estimate and my estimate of the administration at that time.

Mr. Van Cleve. Did anyone in the U.S. Government imply to you that you might receive a position in return for your work with the Contras?

Mr. Secord. No.

Mr. Van Cleve. As I understand it, in late '85 you obtained a legal opinion from Patton, Boggs, and Blow, a Washington law firm, in connection with the planning for the proposed airlift in '85, is that correct?

Mr. Secord. Yes. I was concerned about a possible violation of the Neutrality Act and I had to have a legal opinion before I would go forward.

Mr. Van Cleve. What did you do with that opinion once you had obtained it?

Mr. Secord. I provided copies to the several people who were to become involved. Mr. Gadd was the first one that I discussed it with, and all other principals in the operation as time went on. I wanted to make sure that everybody knew that we were conducting a lawful operation and that we would have to assiduously comply with the law.

One prohibition that that imposed was that we could not transport any Contra personnel and we did that.

Mr. Van Cleve. Yesterday you testified that during your participation in the Contra airlift operation, no weapons of any type were shipped from the United States, is that correct?

Mr. Secord. That is correct.

Mr. Van Cleve. Why is that fact important?

Mr. Secord. The United States has very strict weapons import laws, which I was aware of, and I did not want to have to be requesting export licenses from the U.S. Government for the Contras. Somehow I thought they might not be approved.

Mr. Van Cleve. Again, in connection with the airlift operations you testified yesterday that you received support from certain U.S. Government officials in connection with your work on the Contra airlift program. Yet, I believe you also testified that in some cases, you didn't get the support you asked for, and that in other cases, you got moral support but no material support at all.

To assure that the record is clear, I would like to review with you the officials you named or described by position yesterday other than Oliver North, and ask you to tell the committee specifically what type and amount of support your operation got from those individuals.

Mr. SECORD. OK.

Mr. VAN CLEVE. To begin, Director of Central Intelligence Casey.

Mr. SECORD. I made requests of him, as I testified, for intelligence information support. He made no commitments to me, none whatever. He said he would look into it.

Mr. VAN CLEVE. So again, so my question is clear, then specifically what type and amount of support would you say that you did receive from Director Casey? We understand that he supported what you were doing as a general political proposition, but what type of support do you think you actually got?

Mr. SECORD. I think that he conferred with senior officers and asked them to support us as much as he viewed the law would permit to give us some support, but not to give us any material support.

Mr. VAN CLEVE. Can you think of specific examples of the type of support that might have been permitted that you believe you got from Director Casey's actions?

Mr. SECORD. I believed that the operation was entitled to good intelligence information support, and weather information support. Those were the two items that we needed most. We did not get the kind of support we needed, but we got some support.

Mr. VAN CLEVE. The U.S. Ambassador to Costa Rica, what type of support specifically did you receive from him?

Mr. SECORD. We received guidance, I think, from him and support with the friendly foreign government there, the Costa Rican Government, in the matter of procuring the land that we procured, and in the subsequent construction of the air strip there.

Mr. VAN CLEVE. The U.S. Ambassador to El Salvador?

Mr. SECORD. Yes.

Mr. VAN CLEVE. What type of support?

Mr. SECORD. I can't say that we had anything other than moral support from him. I did speak with him personally during my brief trip to El Salvador in April of 1986. I know that he was sympathetic with our operation, and I know that he kept track of it.

Mr. VAN CLEVE. Anything further?

Mr. SECORD. No.

Mr. VAN CLEVE. The senior Central Intelligence Agency official in Honduras.

Mr. SECORD. Yes.

Mr. VAN CLEVE. What type of support?

Mr. SECORD. About the only support we received from him was occasional intervention with the FDN firms when we were trying to get supplies for them to drop to the Southern Front.

Mr. VAN CLEVE. The senior Central Intelligence Agency official in Costa Rica.

Mr. SECORD. Yes. We got most of our support from this individual. He is a guy that I think should get a lot of praises. He had very little staff, and he worked very hard himself to try to keep us as informed as possible, to forward as much information to us as he could, even though our communication system was not very good.

Mr. VAN CLEVE. General, I want to caution you here and elsewhere not to reveal any intelligence source or method, but can you be more specific about precisely what type of support you received from this individual?

Mr. SECORD. Intelligence support in the form of order of battle information and disposition of enemy troops to the extent that he had such information.

Mr. VAN CLEVE. On a continuing basis or intermittently?

Mr. SECORD. Once we got our act together and started dropping on a reasonably sustained basis, it was a very frequent communications contact and he had face-to-face contact with my man, Mr. Quintero from time to time.

Mr. VAN CLEVE. If I understood you correctly earlier, you believed that under the law you were eligible to receive that type of intelligence information, is that correct?

Mr. SECORD. Yes. Mr. Van Cleve, Colonel James Steele.

Yes. The military group commander in El Salvador. As I mentioned, Colonel Steele was very supportive of us. He gave our people a lot of good guidance and information. He was supportive of our cause with the local military commanders, which was very valuable assistance for us. He was unable to provide us with any material support, including intelligence support. His rules simply would not permit it, and he made that clear to us.

Mr. VAN CLEVE. Were there any other U.S. Government officials who provided support for your operation other than Oliver North?

Mr. SECORD. Not that I can think of.

Mr. VAN CLEVE. I would like to ask you to turn to the exhibit book and to look at an Exhibit no. 3, if you would, please. I would like you to start with the document that I believe is marked number 1 at the upper right-hand corner. It is dated March 3, 1986, assuming it was transcribed on the same date that it was sent. Do you have that document?

Mr. SECORD. Yes.

Mr. VAN CLEVE. Can you describe, just in general terms—I take it that what is happening here is that certain U.S. Government officials are refusing to cooperate in some respect with the operation that you are conducting, and in general terms is that what is happening here?

Mr. SECORD. No, not really. This was a problem with a foreign country who were saying that they would have to have United Kingdom or at least Short Brothers——

Mr. VAN CLEVE. I think you may have the wrong exhibit. It has a small number 1 in the upper right-hand corner and the date is March 3, 1986.

Mr. SECORD. I have it.

The thrust of this is—maybe I wasn't feeling too good that day—the thrust of this is that there were some bureaucratic impediments being placed in Mr. Gadd's way that didn't make sense, and I was appealing to North's office to see if they couldn't help him out.

Mr. VAN CLEVE. Could I ask you to turn now in that same exhibit, please, again to a document that has a number 19 in the upper right-hand corner. The date would be May 21, 1986. Could you take a moment to review that?

Mr. SECORD. What is the date?

Mr. VAN CLEVE. May 21, 1986.

Mr. SECORD. Yes, I have it.

Mr. VAN CLEVE. It begins, "Our understanding," and then it says "CIA." Do you have that document?

Mr. SECORD. Yes.

Mr. VAN CLEVE. Could you take a moment to review that, please, and describe to us who sent the message, who it is to and what is happening there?

Mr. SECORD. I believe that this was a message that was sent to me from Mr. Quintero.

Mr. VAN CLEVE. And can you tell us, as you understand it, what Mr. Quintero is reporting to you, what had happened, why it had happened and so on? If you would go through it in some detail, I would appreciate it.

Mr. SECORD. He was reporting that the U.S. officials with whom we had occasional contact were saying that they could no longer speak to any of our people on operational matters, including Mr. Quintero.

He said that this especially applied to the senior CIA official in Costa Rica on whom we were relying for information. He was very concerned about this—very concerned. He commented that he didn't know what Colonel Steele's role would be in the future. Of course, Colonel Steele's chain of command was somewhat different.

Then he speculates—I don't know whether he is correct or not—but that there had been some new interpretation of the law which required them to issue new orders to the field. But he doesn't know that. He speculates.

Mr. VAN CLEVE. The last sentence says, "I know you have some concern for"—let me take the sentence prior—evidently CIA has done much discussing with Washington lawyers on this and are concerned with their legal status in this program, so actually the overall subject is the question of what guidelines should be applied to the assistance.

It says, "Know you have same concern for our position but can work out with Goode."

Could you shed light on that last sentence?

Mr. SECORD. He said he believes I will have the same concern and he wonders if I can't get in touch with Colonel North—that is, Goode—and find out what is going on and see if we couldn't get the straight word.

Mr. VAN CLEVE. Did you pursue that with Colonel North?

Mr. SECORD. Yes, I did. He didn't understand it either at the time, but I was told later that for a while there the CIA system—there was a considerable drawing back away from dealing with us at all in the airlift matter. But then that period passed fairly rapidly.

Mr. VAN CLEVE. OK.

Could you turn, please, to the document that has the number 25 in the upper right-hand corner. It is actually a set of three KL-43 messages on the same page. And I believe, although it is a little difficult to read, these are dated in August, probably of 1986. Have you found that page?

Mr. SECORD. Yes.

Mr. VAN CLEVE. Could you review the KL-43 message that is the third of the three messages, the one at the bottom of the page, and please read through that. I would like to ask a couple of questions about it.

Mr. SECORD. OK.

Mr. VAN CLEVE. Could you describe—again, go through it in some detail and describe for us exactly what, to your understanding, is happening here?

Mr. SECORD. This message relates to the other messages on that page, and this is Bob Earl in North's Office, in a message to Robert Dutton in my office, saying that the situation about which we were complaining in El Salvador was such that it was being affected, among other things, by some new order by the DCI to his people in the field saying that they couldn't deal with us.

I think he was thinking that we were asking to intercede with CIA to help us, but we were not, because they couldn't have helped us in Salvador anyway.

It does on to say that he got a report that—he got the word that Colonel Steele, who is visiting here in Washington, would not meet with my man, Colonel Dutton, and supposedly at the direction of the Ambassador, I don't know whether that is factual, but it relates to the problem we were having at the air base in El Salvador, and our attempt to resolve the issue.

Mr. VAN CLEVE. It appears what is being said is that various U.S. officials had been told not to assist you in resolving that problem, explicitly or implicitly.

Mr. SECORD. That is what he is saying.

Mr. VAN CLEVE. Can you, again, without revealing any intelligence information, describe where the tapes that are used to operate a KL-43 come from? That is, they come from the U.S. Government agency—

Mr. SECORD. They come from a U.S. Government agency, and were distributed—they are operated on a monthly basis, and they were distributed to us on a monthly basis from Colonel North's Office.

Mr. VAN CLEVE. I take it they are not the sort of thing that one can buy at Radio Shack; is that correct?

Mr. SECORD. No, they are very sensitive, and you have to be very careful about the security of these items.

Mr. VAN CLEVE. Based on your experience with the Contra airlift operation, were the Governments of the various Central American countries in which your employees worked concerned about the threat to their countries posed by the Sandinistas?

Mr. SECORD. Indeed. That is why the officials in Salvador were so supportive of this operation. They saw it in their interest. It wasn't that they were trying to do us a favor.

Mr. VAN CLEVE. Would that have been generally true, for example, in Costa Rica in connection with the air strip?

Mr. SECORD. We thought it was true with one government, but then the policy of neutrality hardened with the new government that came in last year, so we did not get the kind of support we thought we were going to get.

Mr. VAN CLEVE. As a general matter, if you were operating in a particular country, it was because they perceived that you had a common interest with them in dealing with the Sandinistas; is that right?

Mr. SECORD. Of course, we couldn't have operated otherwise.

Mr. VAN CLEVE. I believe you testified yesterday that Felix Rodriguez came to Washington in 1986 and met with Donald Gregg to, among other things, complain about your operation.

Mr. SECORD. The ostensible purpose of his visit was to get with Colonel North and Robert Dutton, and try to thrash out this problem that had erupted down there. After that meeting, he did go to visit with Donald Gregg and visit with the Vice President and did make a number of allegations about the quality of our operation.

Mr. VAN CLEVE. That actually gets to the point I wanted to ask you about. What is the basis of your statement that Rodriguez met with the Vice President during that trip?

Mr. SECORD. My man, Dutton, accompanied him as far as their office.

Mr. VAN CLEVE. Do you have any way to know what might have been discussed between Rodriguez and the Vice President if in fact they met?

Mr. SECORD. Only from comments later by Oliver North, who did talk with Mr. Gregg, or so he said, and got the list of allegations.

Mr. VAN CLEVE. As a result of Rodriguez's meeting with Gregg or his meeting with the Vice President?

Mr. SECORD. I think I said I don't know what he said to the Vice President.

Mr. VAN CLEVE. Were you ever given an account of that meeting?

Mr. SECORD. No, sir.

Mr. VAN CLEVE. So, you have no way of knowing what if anything was said during that meeting?

Mr. SECORD. I have no way whatsoever, no.

Mr. VAN CLEVE. Thank you.

But it was reported to you that they did in fact meet?

Mr. SECORD. Yes.

Mr. VAN CLEVE. Other than his U.S. Government's salary and any possible reimbursement for expenses for official business which he may have received, to your knowledge, did Oliver North receive any personal profits from the Iran arms sales?

Mr. SECORD. No, he did not.

Mr. VAN CLEVE. Did he receive any such profits from contributions to the contras?

Mr. SECORD. Not as far as I know.

Mr. VAN CLEVE. From any source?

Mr. SECORD. Not as far as I know, Oliver North was a very honorable man—is a very honorable man.

Mr. VAN CLEVE. To your knowledge, other than through his salary or a pre-determined commission or profit share, did any of the following individuals derive personal profits from the Iran arms sales, and I will just go through a list here and ask you to answer as you go along.

Thomas Clines?

Mr. SECORD. Did he receive——

Mr. VAN CLEVE. Did he receive personal profits other than a predetermined commission or profit share or salary?

Mr. SECORD. No, he did not. When he went to Cyprus, he received no compensation.

Mr. VAN CLEVE. Rafael Quintero?

Mr. SECORD. No.

Mr. VAN CLEVE. Robert Dutton?

Mr. SECORD. No.

Mr. VAN CLEVE. Richard Gadd?

Mr. SECORD. No.

Mr. VAN CLEVE. Albert Hakim?

Mr. SECORD. No.

Mr. VAN CLEVE. The question was other than a pre-determined commission or profit share.

Mr. SECORD. Right.

Mr. VAN CLEVE. Manucher Ghorbanifar?

Mr. SECORD. I have no information on what he did or how he did it. I am aware that he made profits, but I can't quantify it.

Mr. VAN CLEVE. Yaakov Nimrodi?

Mr. SECORD. The same applies there. I have no knowledge of what kind of profits he made. I cannot put a number to it.

Mr. VAN CLEVE. Al Schwimmer?

Mr. SECORD. The same.

Mr. VAN CLEVE. I would like to ask you to look at the document with the number 27 in Exhibit 3.

Mr. SECORD. I think I have it. Do you have a date?

Mr. VAN CLEVE. Yes, I think this is the one that has up in the top, in handwriting, "Steele, 8 August," and down in the next, at KL-43 message, I believe it is dated August 8, 1986.

Mr. SECORD. I have it.

Mr. VAN CLEVE. OK. Down toward the lower third of the document, there is a sentence that reads as follows, "We must be very smart about our procedures. Sure, press and others will be watching, and we don't wish to expose non-USG efforts."

My recollection is you testified you wrote that.

Mr. SECORD. No, I did not. If I said that I—I misspoke. This if from McAlister, who is Dutton.

Mr. VAN CLEVE. OK. And it is going to——

Mr. SECORD. I believe it is to me. I believe he is sending me the message.

Mr. VAN CLEVE. OK.

Now, I think you testified yesterday that this was a non-United States Government operation.

Mr. SECORD. That is correct.

Mr. VAN CLEVE. A wholly private operation?

Mr. SECORD. Correct.

Mr. VAN CLEVE. If this operation was legal, as you testified, why was it necessary to keep its existence a secret?

Mr. SECORD. Because it was my judgment and the judgment of my colleagues that the press, the news media, would savage us.

Mr. VAN CLEVE. So, the concern you had as far as secrecy was purely a result of your concern about the press?

Mr. **Secord**. Absolutely. For instance, the press even now is talking about violations of the Boland amendment, and they have not—the people doing this writing haven't even taken the time to read or study the law.

So, when you have to deal with that kind of a press, you have to be very careful.

Mr. **Van Cleve**. Did Ollie North or any other U.S. Government official ever tell you to keep this operation secret?

Mr. **Secord**. No, but they assumed that it would be kept secret. It couldn't be operated otherwise.

Mr. **Van Cleve**. Can you explain why it could not have been operated except in secret, please?

Mr. **Secord**. Because, as I stated earlier, it was our judgment that the press would cause so much trouble for us that we could not operate it.

Mr. **Van Cleve**. Surely you didn't expect the press to directly interfere in your——

Mr. **Secord**. Surely I expected them to directly interfere with it, yes.

Mr. **Van Cleve**. Could you be more specific?

Mr. **Secord**. They would be all over the quarters where, as they were later. They would do just exactly what they did when the operation started to unravel after the shoot-down of the C-123 and they would have been all over our operational sits, and they would also cause problems of embarrassment for our host as well, because the host—certainly they did not want it to be known that we were there.

Mr. **Van Cleve**. If I understand your testimony correctly—and I want to make sure that I do—you are suggesting that you were concerned about physical interference with your operations by the press?

Mr. **Secord**. To an extent, but I was mostly concerned about what they would publish, what they would write about, and say on television. If we became an embarrassment, we would not be allowed in that country very long.

Mr. **Van Cleve**. An embarrassment to the host countries in which you operated?

Mr. **Secord**. Yes.

Mr. **Van Cleve**. Were you concerned about the possibility if the press became aware of the operation that that would mean the Congress would become aware of it as well?

Mr. **Secord**. No, I didn't even think of the Congress in this context because I was quite certain and satisfied that we were operating completely legally, so I was not concerned about the United States Congress.

Mr. **Van Cleve**. Did you ever tell Oliver North or any other White House official that in response to a congressional request for information that the White House should tell Congress about the private airlift operation and the nature of White House support for it?

Mr. **Secord**. I don't recall that subject ever coming up.

Mr. **Van Cleve**. Did you ever discuss with Colonel North or anyone else at the White House any congressional request for information concerning the activity of the National Security Council?

Mr. Secord. Not with any specificity. I can vaguely recall him worrying, as I have testified, about investigations or inquiries by the Congress. I can recall him being concerned that the Congress would be pursuing him and trying to pain him as being in violation of the Boland amendment, for instance. He was worried about that. But my view of Colonel North was that he was doing everything he could to implement the Boland amendment. Everything he could.

Mr. Van Cleve. But, General, my question to you was did you ever discuss a congressional request for information concerning the activity of the National Security Council with Colonel North?

Mr. Secord. No, not that I can recall.

Mr. Van Cleve. Did you ever recommend to him on any other occasion that Congress should be told about the private airlift operation and the nature of White House support for it?

Mr. Secord. No.

Mr. Van Cleve. Either, I might add, publicly or through the Intelligence Committees?

Mr. Secord. Publicly, yes, later on in starting in the summer of 1986 when I became concerned about possible revelations of the Iran operation, I urged him on a number of occasions to consider to take up with his bosses a preemption on the part of the White House, that is, to go public and in going public, of course, they would have been addressing, in my mind, the Iranian initiative only, but our operation might have been revealed also, our Contra operation.

Mr. Van Cleve. To your knowledge, other than some part of the salaries and administrative expenses of the Federal officials you have previously told the committee provided support for your airlift operation, were any other funds appropriated by Congress used for the private airlift operation?

Mr. Secord. No, absolutely not.

[Witness confers with his counsel.]

Mr. Van Cleve. Did you want to add something, General?

Mr. Secord. Well, I am not—I am not even prepared to concede that their salaries were an issue here, either. But there were no appropriated funds used to support our operation.

Mr. Van Cleve. OK. In your opening statement, you referred to the vital interests of the United States and containment of the Sandinista regime. Would you please describe for the committee the strategic interest of Central America and in particular Nicaragua, as you understand it there, as specifically as you can?

Mr. Secord. Briefly, I can say a few things, I think. I am not an expert on Central America, but I know enough about warfare to know that the situation in Nicaragua represents a terrible threat to the United States.

The nations of the Caribbean Basin are very very fragile nations, and many of them struggling for democracy right now, they all need U.S. military and economic support. But the Russians, as some members have pointed out, have already got a beach head, if you will, in Nicaragua today. There is no question, no question in my mind, that if the Sandinista Government is allowed to continue in power, that they will be trying to export the revolution to their neighbors, and I am not a great adherent of the domino theory, but if there were any dominoes stacked up in this world, they have to be stacked up down south of us.

The bottom line with me is it is very important to contain Nicaragua. If we can't contain them down there, I think we are in for more trouble than any of us here can predict. I don't believe I will hasten to add that the contras can win a decisive military victory. I think that the best outcome they could hope for is to force some sort of serious negotiations with the regime. I think that the worst policy of all for the United States is to abandon our interests so close to home and to allow this regime to continue, and one of the things I am really regretful of with respect to the Iranian-Contra affair is that I am very fearful that this affair, so-called, will adversely impact on our Congressmen and Senators, and they will be not inclined to further support the Contras. I am just praying that doesn't happen.

Mr. **Van Cleve**. I would like to change subjects with you now, General, and turn to the Iran initiative itself. Let me begin by cautioning you once again that in response to the questions that I am about to ask, please be as careful as you possibly can to not reveal any intelligence sources or methods.

I think you testified that in 1980, you served as the Deputy Commander of the Hostage Rescue Task Force established after Desert I. I would like you to please describe for the committee during your service on that task force your efforts to obtain information concerning the location of the American hostages who were then held in Iran.

Mr. **Secord**. In rebuilding or building a task force capable of going back and rescuing our hostages, it turned out very rapidly that the biggest single problem we had to confront was the lack of intelligence information or where they were being held. After Desert I occurred, the Iranians—we had reports that the Iranians had dispersed the hostages who had been held in the main embassy grounds and dispersed them to unknown destinations.

We had hundreds of reports placing them all over the country of Iran, other reports placing them just in different places in Tehran, and so this was, of course, the highest priority intelligence target for us was to locate them. We had to obviously know where they were if we were going to go get them.

As time wore on, by August of that year, our force was combat ready, and we were ready to roll. But we did not, we were not able, the Intelligence Committee was not able to pin down the location of the hostages. Our intelligence base at that time—by base, I mean data base—with respect to Iranian matters was practically nil. It is not much better today.

We were, of course, in constant contact and liaison with the Central Intelligence Agency, and the Director of the Central Intelligence at that time was Admiral Turner. We were pushing as hard as we could to put more effort into locating the hostages.

By October we were told by a senior official that they had indeed new information and had located the hostages. The three hostages that were in the Ministry of Foreign Affairs were never moved but all the others had been moved around. We were briefed on this, as I said, in October of 1980, and I came to call that the Eureka Briefing. They suddenly found it.

We asked about the sources and methods, and my intelligence staff, of course, had no such holdings and found it a little bit hard to understand. We were denied the sources and methods and, therefore, we escalated the matter through the chain of command to the White House and the report was not viewed with favor.

When these people, the hostages, were interviewed in 1981 when they returned to the United States and de-briefed, and de-briefed extensively, my intelligence, senior intelligence staff officer from the task force was one of those de-briefers. The report was incorrect.

It was absolutely incorrect. Where they had them pinned down in the report they gave us, along with photos, was wrong.

Mr. Van Cleve. You were given the wrong location for the hostages that you were going to try and rescue from Iran?

Mr. Secord. Absolutely. It was absolutely wrong. Had we gone ahead based on that, I don't think that they would have had a lot of people up here on the Hill applauding us.

Mr. Van Cleve. Did there come a later time when as a Department of Defense official you convinced the Department of Defense through Secretary Weinberger to urge improvement in U.S. human intelligence activities in Iran?

Mr. Secord. Yes, a couple years later when I was Deputy Assistant Secretary of Defense, my region for which I was responsible under the Secretary of Defense for Policy Matters included Iran and we—there came a time when we pushed and I pushed for my staff with the Secretary an initiative for the CIA to start a greatly enhanced intelligence gathering operation and suggested different methods which I am not going to get into, to improve our human intelligence with respect to Iran.

It was just common sense that we needed to know more about Iran. I am not saying this in a sinister way, it is just that we don't know very much about these people. Most of them are strangers to us.

We really don't know. The State Department doesn't know. This information is absolutely necessary in order for us to formulate any kind of sane policy with respect to Iran. We have to know with whom we are dealing before we can make any kind of detailed policy.

It is my judgment that until we get a lot smarter about Iran, that we are going to continue to be in limbo with them and we will never be able to successfully negotiate with them and that that will be—that will redound to our strategic disfavor.

Mr. Van Cleve. What was the response you got to the Department of Defense proposals to improve human intelligence in Iran?

Mr. Secord. The CIA agreed with us on this matter, took it up with Mr. Casey who agreed with it but then the bureaucracy took over and we got into wrangling at the working level and nothing came of it.

Mr. Van Cleve. Nothing came of it.

Mr. Secord. No.

Mr. Van Cleve. During the—from your involvement in the Iran initiative, you received a number, obviously, of intelligence reports. This would be in the period 1985–1986, you received a number of intelligence reports, a number of intelligence briefings; is that correct?

Mr. SECORD. I received what they had. We were in close contact with the intelligence agency.

Mr. VAN CLEVE. And in your view, had the quality of our human intelligence improved since your involvement in 1980?

Mr. SECORD. Not in the slightest.

Mr. VAN CLEVE. Thank you.

Did the U.S. Government officials ever tell you that you or Albert Hakim or both of you could personally retain or put to any use you saw fit part or all of the proceeds of the United States arms sold to Iran?

Mr. SECORD. No.

Mr. VAN CLEVE. If not, why didn't you obtain a legal opinion on this question, as you had on the airlift operation?

Mr. SECORD. Well, as I said when I was in the situation room last January, a year ago January, and there were a lot of lawyers in there, and it was fairly clear——

Mr. VAN CLEVE. They were not your lawyers, were they, General?

Mr. SECORD. No, they were not my lawyers, but it seemed to me they had made their mind up that this commercial enterprise was the way to go and that it was obviously legal.

Now, if I had it to do over again, I would get about five legal opinions. If I had it to do over again, I wouldn't do it. Let's put it that way. But that is hindsight. I should have been smarter. I wasn't.

Mr. VAN CLEVE. At the time it simply didn't occur to you?

Mr. SECORD. No, it did not.

Mr. VAN CLEVE. As a former Department of Defense official, did it seem natural to you that the United States Department of Defense assets would be sold to you, as a private middleman, who could then mark them up to any extent you wanted to for resale to a country they were intended to go to by the United States?

Mr. SECORD. It seemed to me that it was legitimate inasmuch as they were being sold to the CIA, who was, in turn, reselling them. It would not have been legal for the Defense Department to sell them to me.

Mr. VAN CLEVE. But since they were sold to the CIA, your testimony is that they could then resell them to you, as a private middleman, and allow you to mark them up to any extent you saw fit; is that correct?

Mr. SECORD. Well, there are two questions there. The agency lawyers believed that it was legal to sell them to me and then, of course, we didn't mark them up to any outrageous amount. We marked them up to the prices that were thought to be the right prices.

Mr. VAN CLEVE. Did you see any potential problem for the President if the diversion you have earlier testified to, based on Mr. Hakim's records, were to be disclosed?

Mr. SECORD. No, I really didn't. Again, maybe I should have been smarter, but I thought they were perfectly legitimate in this enterprise and figured that we would really be applauded in the end.

That issue of diversion was a word coined by Mr. Meese, not by me, and the so-called diversion, when he announced it, I wasn't even sure there had been a significant diversion because we were always running very close to the line and I wasn't certain but what it might have been washed out.

As it turns out, we calculated recently that about three and a half or so million dollars ended up in the Contra project from Iranian-derived money.

I always contemplated that more donations were going to be coming in during this period. I expected that they would be coming in, and the $10 million that we were looking for in the account from a Far Eastern country never materialized. But had that come in, we would have been in surplus positions.

Mr. VAN CLEVE. I believe you stated that on November 25 you met with Oliver North—November 25, 1986, this is, you met with Oliver North at a hotel here in Washington. Then he received a phone call from the President at that time; is that correct?

Mr. SECORD. Yes, sir.

Mr. VAN CLEVE. You testified that he got another phone call. Who was the other call from?

Mr. SECORD. The first phone call, I was afraid you were going to ask that. I can't keep any secrets.

The first phone call he received was not from the President, but was from the Vice President, and my understanding of that call was that it was essentially the same kind of laudatory call, sad. Very short call.

Mr. VAN CLEVE. Mr. Chairman, I have no further questions of this witness.

Thank you, General.

Mr. RUDMAN [presiding]. The procedure at this point normally would be for counsel of the Senate Committee, Arthur Liman, to start examination. Due to the fact that we would like that examination to be complete, the leadership of the Joint Commictee has decided that we will recess the committees at this time, rather than have a relatively brief period of examination by Mr. Liman.

General Secord, you are directed to appear here again tomorrow with counsel at 10 a.m.

So under the agreement of Chairman Hamilton and Chairman Inouye, Congressman Cheney and myself, we have agreed we will now stand in recess until 10 a.m. tomorrow.

Mr. SECORD. Thank you, Mr. Chairman.

[Whereupon, at 3:50 p.m. the Joint Committee recessed, to reconvene at 10 a.m., Thursday, May 7, 1987.]

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Richard V. Secord

THURSDAY, MAY 7, 1987

SENATE SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
AND
HOUSE SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN,
Washington, DC.

The select committees met, pursuant to call, at 10 a.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman INOUYE. The hearing will please come to order.

Mr. Liman, please proceed.

Mr. LIMAN. Good morning, Mr. Secord.

Mr. SECORD. Good morning, sir.

Mr. LIMAN. Am I correct, Mr. Secord, from December 1984 until July 1985, you were engaged in selling arms to the Contras for profit?

Mr. SECORD. That is correct.

Mr. LIMAN. And is it true that you brought into that venture Mr. Hakim?

Mr. SECORD. Correct.

Mr. LIMAN. And you and Hakim were equal partners?

Mr. SECORD. Yes.

Mr. LIMAN. And you also brought into that venture Tom Clines?

Mr. SECORD. Later, yes.

Mr. LIMAN. And he also participated in the profits?

Mr. SECORD. Yes.

Mr. LIMAN. And you brought in Quintero?

Mr. SECORD. Yes.

Mr. LIMAN. Now, did you choose to operate this arms sale venture through Panamanian corporations?

Mr. SECORD. Yes.

Mr. LIMAN. And those corporations were Energy, Resources, and later Lake; correct?

Mr. SECORD. Correct.

Mr. LIMAN. And did you choose to handle the funds through Swiss accounts?

Mr. SECORD. Yes.

Mr. LIMAN. And you understood that by doing so, you were enjoying the protection of Swiss secrecy laws; am I correct?

Mr. SECORD. We thought so at the time.

Mr. LIMAN. And did you, in fact, sign a fiduciary agreement with a man by the name of Zucker to manage your money?

Mr. SECORD. Yes, I volunteered this information to you.

Mr. LIMAN. So that the profits that you would be receiving out of this venture would be handled by Mr. Zucker?

Mr. SECORD. By his company, yes.

Mr. LIMAN. And were you and Mr. Hakim equal partners in Energy and Lake?

Mr. SECORD. Technically, no. My name was not on any of those accounts, but, in fact, Mr. Hakim responded to my directions.

Mr. LIMAN. Well, was your understanding with him that you would share the profits equally?

Mr. SECORD. Yes.

Mr. LIMAN. But the companies were nominally his?

Mr. SECORD. Correct.

Mr. LIMAN. Now, would you tell us what your share of the profit was from these sales of arms to Calero?

Mr. SECORD. As I testified earlier, the amount was several hundred thousand dollars. Checking the records of Mr. Hakim that you have showed me, I haven't been able to put a precise number on it.

Mr. LIMAN. Is it your claim that you did not know at the time how much money you were making?

Mr. SECORD. I did not know the exact amount. I didn't concern myself with it.

Mr. LIMAN. You never asked Hakim?

Mr. SECORD. He accepted the advice in a general way.

Mr. LIMAN. Well, within a general way, did he tell you $4,800?

Mr. SECORD. In a general way, I just told you several hundred thousand dollars. That is a very clear answer.

Mr. LIMAN. What would several hundred thousand be to you?

Mr. SECORD. I cannot be more specific.

Mr. LIMAN. You weren't more specific with him?

Mr. SECORD. No.

Mr. LIMAN. You weren't concerned about what the amount of money was?

Mr. SECORD. Not particularly.

Mr. LIMAN. The money was a matter of indifference to you?

Mr. GREEN. Why are you arguing with him? He has answered the question.

Mr. LIMAN. Was the money a matter of indifference to you?

Mr. SECORD. It was a matter of little concern with me at the time. I was busy with a lot of big problems. I couldn't worry about that.

Mr. LIMAN. Is it a fact, Mr. Secord, the amount that you had credited to your capital account was about $400,000?

Mr. SECORD. I don't know. It was an amount of several hundred thousand dollars. I don't think we can determine from the records what that was. We tried the other day to do that.

Mr. LIMAN. Was it kept for you under a pseudonym?

Mr. SECORD. No. Under my name.

Mr. LIMAN. Did you use the name Korel, K-o-r-e-l?

Mr. SECORD. No.

Mr. LIMAN. Did you ever hear the name Korel?

Mr. SECORD. Yes. That is one of the companies that Hakim organized.

Mr. LIMAN. Did you have any interest in Korel?

Mr. SECORD. Korel was not my company

Mr. LIMAN. Did you have any interest in Korel?

Mr. SECORD. Any more so than the other companies, no.

Mr. LIMAN. Did you have any interest in Korel?

Mr. SECORD. I have just answered the question.

Mr. LIMAN. You said any more than in the other companies. What was——

Mr. SECORD. I had interest in all the companies.

Mr. LIMAN. What was your interest in Korel?

Mr. SECORD. No specific interest in Korel.

Mr. LIMAN. Was it 10 percent, 20 percent, 50 percent?

Mr. SECORD. I didn't have any percentage interest in Korel. I don't know what you are getting at.

Mr. LIMAN. You had an interest in it, but it wasn't translated into a percentage?

Mr. SECORD. No. Absolutely not.

Mr. LIMAN. Then what was the nature of your interest in it?

Mr. SECORD. The same as the other companies.

Mr. LIMAN. Are you saying you had an undefined interest in Korel and the other companies?

Mr. SECORD. That is correct. I had a profit-sharing arrangement with Mr. Hakim as I described to you earlier and that was the limit of my interest.

Mr. LIMAN. And that profit-sharing agreement or arrangement was 50 percent?

Mr. SECORD. That is correct.

Mr. LIMAN. Now, you became a partner of Hakim right after you left government?

Mr. SECORD. Perhaps four or five months after I left government.

Mr. LIMAN. And that was in the company called Stanford Technology Trading Group, Inc.?

Mr. SECORD. Yes, sir.

Mr. LIMAN. Now, is it your testimony that in July or August of 1985, you waived all interest in profits?

Mr. SECORD. I testified to that earlier, yes.

Mr. LIMAN. And is that the fact?

Mr. SECORD. Of course it is the fact or I wouldn't have testified to it.

Mr. LIMAN. And is it a fact that you then no longer had any interest whatsoever in Lake or Energy or any of those other companies?

Mr. SECORD. Profit interest, no.

Mr. LIMAN. Is it—when you say no, you had no interest?

Mr. SECORD. No profit interest.

Mr. LIMAN. Did you have some other economic interest in those companies?

Mr. SECORD. Of course. They had to remain viable or the projects couldn't go on.

Mr. LIMAN. Well, what was the nature of your economic interests in those companies?

Mr. SECORD. My personal economic interest?

Mr. LIMAN. Yes, sir.

Mr. SECORD. None.

Mr. LIMAN. Did you have some economic interest other than a personal one?

Mr. SECORD. Yes. The enterprise had to remain viable or we would have gone bankrupt and the project would have failed.

Mr. LIMAN. And in July and August of 1985, when you waived this interest, the project was aiding the contras?

Mr. SECORD. Yes.

Mr. LIMAN. Now, when you waived your interest, did you formalize that in any writing?

Mr. SECORD. No. As I testified yesterday, no.

Mr. LIMAN. Did you tell anyone other than Hakim and Zucker?

Mr. SECORD. No.

Mr. LIMAN. Did you ever receive any document indicating that the money that had been accumulated for you was no longer there?

Mr. SECORD. No.

Mr. LIMAN. To the extent of the profits that were then being held for you, were you just making a gift of them to Mr. Hakim?

Mr. SECORD. I forswore them and left to Mr. Hakim to do with it as he wished.

Mr. LIMAN. And so that they then became Hakim's money?

Mr. SECORD. Those companies.

Mr. LIMAN. When you say, "those companies," did you have profits from the arms sales in any other companies?

Mr. SECORD. I don't know where we diverted the profits. We have been going through the records trying to identify them.

Mr. LIMAN. Did you ever ask Hakim at the time where the profits were that were being held for you?

Mr. SECORD. No.

Mr. LIMAN. Now, you are still a partner of Hakim's?

Mr. SECORD. I am a partner of Mr. Hakim's, and Stanford Technology Trading Group International.

Mr. LIMAN. Are you still trying to do different deals with Mr. Hakim?

Mr. SECORD. I haven't had much time to do deals with Mr. Hakim. We are trying to get our lives back together now.

Mr. LIMAN. Have you been trying recently to come up with proposals for deals with Mr. Hakim?

Mr. SECORD. Yes. We met on several occasions to discuss business.

Mr. LIMAN. Have you ever requested of Mr. Hakim that he tell you where your money was?

Mr. SECORD. No.

Mr. LIMAN. And he has never——

Mr. SECORD. It is not my money.

Mr. LIMAN. He has never refused to share with you information about where the money was that you earned, correct?

Mr. SECORD. He has not discussed any of the details of these accounts with me since the revelations of November 25 and on the advice of his counsel he has refused to show me any of the records.

Mr. LIMAN. Well, before November 25, of 1985, did he discuss the accounts with you?

Mr. SECORD. In a general way. We tried to generally, as you know from my records, to keep track. I tried generally to keep track of the money.

Mr. LIMAN. Are you saying that you never in that period when you were talking to him before November 25, ask him how much profit there was?

Mr. SECORD. As I told you earlier, I went with him on about four different occasions in 1986 to try to reconcile the books. The books were in disarray. Various disbursements were frequently in the wrong operating companies, the books were not in neat shape. I was trying to help him straighten them out. We never got around to getting that job finished.

Mr. LIMAN. So that it is not so that the first time that you had access to these books was when you saw them in the committee rooms here in preparation for your testimony?

Mr. SECORD. I have seen some of the records in the past, but I never saw a complete set like I saw in the committee.

Mr. LIMAN. Had you ever asked to see a complete set?

Mr. SECORD. No.

Mr. LIMAN. What was the purpose of your looking at the books before?

Mr. SECORD. Gee, I thought I just answered that question.

Mr. LIMAN. To try to straighten them out?

Mr. SECORD. Yes.

Mr. LIMAN. And who told you that they were in disarray?

Mr. SECORD. Mr. Hakim.

Mr. LIMAN. Did Mr. Hakim have accountants working for him?

Mr. SECORD. Yes.

Mr. LIMAN. Did he have Zucker working for him?

Mr. SECORD. Yes.

Mr. LIMAN. And they weren't able to keep the books straight, is that your testimony?

Mr. SECORD. No. You know why? This is a covert operation and he couldn't inform them of the outlines of the operations, and so they were constantly making errors.

Mr. LIMAN. Was there money coming into the bank accounts?

Mr. SECORD. Yes.

Mr. LIMAN. Was there money going out of the bank accounts?

Mr. SECORD. Yes.

Mr. LIMAN. Were there balances in the bank accounts?

Mr. SECORD. That was the problem.

Mr. LIMAN. Did you ever look and see the bank records before you met in the committee rooms here?

Mr. SECORD. No, I have never seen the bank records.

Mr. LIMAN. Did you ever ask to see the bank records?

Mr. SECORD. No.

Mr. LIMAN. Did you ever sign any document that gave you access to the bank records?

Mr. SECORD. Never.

Mr. LIMAN. Why did you choose not to ask Hakim to see the bank records?

Mr. SECORD. I didn't think they were important.

Mr. **Liman**. Did you not think it was important to know how much money there was that was generated by this enterprise?

Mr. **Secord**. He was telling me. I knew what the deposits were.

Mr. **Liman**. And you knew what the expenditures were?

Mr. **Secord**. Generally.

Mr. **Liman**. Now even after you told Hakim that you didn't want the interest in the profits, were you controlling the expenditures?

Mr. **Secord**. I was directing him to make the expenditures in support of the various projects.

Mr. **Liman**. Is it a fact, Mr. Secord, that after August 1985, all of the funds that were generated in those bank accounts came from your efforts?

Mr. **Secord**. Yes.

Mr. **Liman**. And is it a fact that all of the expenditures were expenditures that you directed expensed?

Mr. **Secord**. The general answer to that question is yes. However, I would like to qualify the answer by saying Mr. Hakim probably made some expenditures from his profits that I would have no idea of.

Mr. **Liman**. Now, did you know what his profits were?

Mr. **Secord**. Generally.

Mr. **Liman**. And was Mr. Hakim to receive a profit on the sale of the weapons to Iran?

Mr. **Secord**. No.

Mr. **Liman**. And was that because you and he agreed that that would be done on a non-profit basis?

Mr. **Secord**. That is correct.

Mr. **Liman**. And the profits from the Iran sale were to be dedicated to another purpose. Am I correct?

Mr. **Secord**. That is correct.

Mr. **Liman**. And is it a fact that you told Oliver North that you would not be making profits from the Iran sale?

Mr. **Secord**. I did not tell him that.

Mr. **Liman**. Did you tell him that you would be making profits?

Mr. **Secord**. I didn't tell him anything about it.

Mr. **Liman**. He never asked you?

Mr. **Secord**. No, he knew it was a commercial enterprise. He assumed we were making some money.

Mr. **Liman**. But between you and Hakim, you agreed that you would make no profit?

Mr. **Secord**. On those transactions, that is correct.

Mr. **Liman**. And is there any other occasion that you can think of where Mr. Hakim decided to go into a commercial venture for no profit?

Mr. **Secord**. No. But he was already making profits in the arms sales, and I thought that was fair enough.

Mr. **Liman**. Well, the profits that he was making in the arms sales were the sales to Calero, right?

Mr. **Secord**. The contra.

Mr. **Liman**. And those sales amounted to what, about 10, $11 million?

Mr. **Secord**. That is what we added up the other day, yes.

Mr. **Liman**. And you said that the mark-up on those was about average—averaged about 20 percent, correct?

Mr. SECORD. That is correct.

Mr. LIMAN. So that the profits on those would have been about, gross, about $2 million?

Mr. SECORD. Hakim calculated those profits. It was in that range, and I don't have exact numbers.

Mr. LIMAN. Of those $2 million, some of it was originally allocated to you, correct?

Mr. SECORD. Originally, yes.

Mr. LIMAN. Half of it?

Mr. SECORD. No, nothing like that.

Mr. LIMAN. Some of it to Mr. Clines?

Mr. SECORD. Yes.

Mr. LIMAN. And after what was allocated to Clines, the balance was allocated half to you and half to Hakim originally?

Mr. SECORD. Except that some payments were made to Mr. Quintero for his efforts.

Mr. LIMAN. And after that expense, the rest was divided between you and the——

Mr. SECORD. Just as we have said about four times now.

Mr. LIMAN. And no profits of the $15 million that you have testified the other day from the Iran sale were to be kept by Hakim or you? Correct?

Mr. SECORD. The number is 14 million, and that is correct.

Mr. LIMAN. Isn't the $14 million exclusive of the million dollars you received from Israel in November?

Mr. SECORD. I accounted for that in my testimony.

Mr. LIMAN. Isn't the $14 million exclusive of that million?

Mr. SECORD. Exclusive of that $800,000, yes.

Mr. LIMAN. Well, whether it is $14 million or $14,800,000, your testimony here today was Hakim was not to keep any of that?

Mr. SECORD. That is right. And I think the bank records show that, as you must be aware by now.

Mr. LIMAN. And the $8 million that is now in some bank account really is not money that belongs to Hakim or you; is that correct?

Mr. SECORD. Well, the counsel—would you restate the question, please, sir?

Mr. LIMAN. Where is the $8 million that is being held today under the control of Mr. Hakim?

Mr. SECORD. The House counsel read that into the record, and as far as I know, it is correct.

But he——

Mr. LIMAN. Where is it?

Mr. SECORD. There is something over a million in a Swiss bank account, and the balance, according to Mr. Hakim's testimony, is being held by a fiduciary on his behalf.

Mr. LIMAN. What is the name of the fiduciary who is holding it?

Mr. SECORD. I don't have any idea.

Mr. LIMAN. In what bank?

Mr. SECORD. I have no idea.

Mr. LIMAN. You never asked him?

Mr. SECORD. I did, but there is no communication on that point.

Mr. LIMAN. But that is money that was generated by the Iranian arms sale, correct?

Mr. SECORD. Correct.

Mr. LIMAN. And on the basis of your testimony, that is money that doesn't belong to Mr. Hakim, correct?

Mr. SECORD. I didn't say that. I said that in my testimony, that the money is the money of the enterprise.

Mr. LIMAN. The money is the money of the enterprise, and who owns the enterprise?

Mr. SECORD. Mr. Hakim is the technical owner.

Mr. LIMAN. And is there a beneficial owner other than Mr. Hakim?

Mr. SECORD. No.

Mr. LIMAN. So, Mr. Hakim is both the technical owner and the beneficial owner?

Mr. SECORD. That is correct.

Mr. LIMAN. And yet you said a moment ago that Hakim was not to get any of the profits out of the Iranian arms sale?

Mr. SECORD. That was our plan.

Mr. LIMAN. So that the $8 million that is out there now is just being kept, but it isn't profit?

Mr. SECORD. That is a different issue, Mr. Liman, as you well know.

In the first place, there are many bills that have yet to be paid outstanding against this enterprise. Bills that have to be paid. I don't know how much is going to be left after these bills are paid, and I am not focusing on that right now. I have got bigger problems to focus on than that.

I have got a special prosecutor over here across the street that is trying to throw all of us in jail for performing our duty as we saw it.

I haven't focused on some technical issue like you are bringing up here. This is crazy.

Mr. LIMAN. Was it part of your duty to keep this $8 million?

Mr. SECORD. Of course it was part of our duty to keep the $8 million. We had it in there for operating revenue. I didn't terminate this operation; the operation was blown apart. The operation was aborted.

Mr. LIMAN. So is it——

Mr. SECORD. That was a snapshot that existed at that time.

Mr. LIMAN. Is what you are saying you expected if the arms sales continued to go forward, you would need to use this money to keep the enterprise going?

Mr. SECORD. Correct.

Mr. LIMAN. So that the enterprise could continue as a vehicle for the Iranian arms sales?

Mr. SECORD. That is correct.

Mr. LIMAN. Isn't it a fact, Mr. Secord, that in the case of every sale of arms that you made to Iran, you got paid by Ghorbanifar before you paid any money out to the CIA?

Mr. SECORD. No.

Mr. LIMAN. Is there an instance that you can recall where you didn't get the money up front?

Mr. SECORD. No, you said by Ghorbanifar. In the October transaction, we were paid by the Iranian government.

Mr. LIMAN. OK. You are a very literal man, so let me be literal, too. In every instance of sales to Iran, you received the money up front before you laid it out to——

Mr. SECORD. Yes, sir.

Mr. LIMAN [continuing]. The U.S. Government.

Mr. SECORD. Correct. Correct.

Mr. LIMAN. And is it true that in every instance the amount that you received up front exceeded what the cost was, charged by the CIA and the transportation cost?

Mr. SECORD. Correct.

Mr. LIMAN. And is it still your testimony that you had to keep $6 million in order to keep this going?

Mr. SECORD. The figure went up as the project went on. As I testified already on several occasions, there came a time we needed hull insurance on aircraft. That came to an amount of $8 million. That is half of your $4 million already. There are bills that have not been paid already. You ought to do a little bit of arithmetic and thinking on this.

Mr. LIMAN. Let's do some arithmetic on it.

Mr. SECORD. Gladly.

Mr. LIMAN. You said that on the first transaction you had of a thousand TOW's, there was one plane that was involved, correct?

Mr. SECORD. Correct.

Mr. LIMAN. And you had to guarantee the Israelis that you would make good for the cost of the plane if it didn't return from Tehran, correct?

Mr. SECORD. Correct.

Mr. LIMAN. And so you set aside $2 million, correct?

Mr. SECORD. That is right.

Mr. LIMAN. And you put it into a certificate of deposit, correct?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And that certificate of deposit was under control of the enterprise?

Mr. SECORD. That is correct.

Mr. LIMAN. And that plane did in fact return safely to Israel, correct?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And then you kept the $2 million, correct?

Mr. SECORD. Kept it in a CD, that is right.

Mr. LIMAN. But the CD was kept by Mr. Hakim, correct?

Mr. SECORD. Why, I wonder.

Mr. LIMAN. Well, maybe others will wonder, too.

Mr. SECORD. I have already—I don't think others will wonder. I have already answered the question.

Mr. LIMAN. Was the plane back safely in Israel?

Mr. SECORD. Yes.

Mr. LIMAN. Was it your position that if the Israelis lost the plane on some mission of their own you were going to give them the $2 million?

Mr. SECORD. Sure.

Mr. LIMAN. So that after you had returned the plane to Israel so that the Israelis could use it for whatever they wanted, you were going to give them the $2 million——

Mr. SECORD. No, no, no, no.

Mr. **Liman** [continuing]. If something happened to the plane?

Mr. **Secord**. No.

Mr. **Liman**. That is what you are trying to tell us.

Mr. **Secord**. No——

Mr. **Green**. You misunderstand it. You and everyone else knows it. I don't think you should harass him by——

Mr. **Liman**. There was then another trip, correct?

Mr. **Secord**. Yes.

Mr. **Liman**. That involved two planes that you had to have ready?

Mr. **Secord**. Yes.

Mr. **Liman**. Actually only one of them made the trip to Tehran, but the other started to make the trip before it was called back?

Mr. **Secord**. Yes, sir.

Mr. **Liman**. And there you put aside that CD $4 million?

Mr. **Secord**. An additional 2 million, yes, sir.

Mr. **Liman**. So you had 4 million in the event something happened to those planes, correct?

Mr. **Secord**. Yes, sir.

Mr. **Liman**. And those planes returned safely to Israel?

Mr. **Secord**. Yes.

Mr. **Liman**. And you kept the 4 million?

Mr. **Secord**. That's right.

Mr. **Liman**. And when you are sitting there, when you were sitting there in November, after the publicity developed about the arms sales, you still were holding CDs, correct?

Mr. **Secord**. Yes, sir. And we were still planning future operations.

Mr. **Liman**. Did you have an Israeli plane then that you were insuring?

Mr. **Secord**. No. In fact, we were talking to the second channel about buying an airplane.

Mr. **Liman**. And if you chose to buy a plane, you would use this money?

Mr. **Secord**. Sure.

Mr. **Liman**. Were you going to buy this money from the second channel?

Mr. **Secord**. For the second channel, yes. As a matter of fact, we contacted Southern Air Transport to start a search for a 707. They found one, and we were proceeding with the plans to buy that airplane.

Mr. **Liman**. How much was that going to cost?

Mr. **Secord**. The asking price was about 2 million. We hoped we could negotiate it down to 1.5 or so.

Mr. **Liman**. Was this your decision you should buy the 707?

Mr. **Secord**. Yes.

Mr. **Liman**. Was it Oliver North's?

Mr. **Secord**. He wasn't involved. That was a management decision.

Mr. **Liman**. That was a management decision. The monies were yours to spend?

Mr. **Secord**. The enterprise's, yes.

Mr. **Liman**. Now, your position is that you have absolutely no interest in any of these Swiss bank accounts; am I correct?

Mr. Secord. That is correct.

Mr. Liman. And you have nothing to hide in whatever is in those records in the Swiss bank accounts; is that correct?

Mr. Secord. No.

Mr. Liman. And, in fact, you have come here to testify voluntarily?

Mr. Secord. And I came to you and went through the records with you and tried to help you identify the various unknowns, to the best of my ability.

Mr. Liman. Mr. Secord, before Mr. Hakim turned over those records, did you meet with him in Geneva?

Mr. Secord. Yes.

Mr. Liman. And did you discuss with Mr. Hakim the fact that he was turning over records?

Mr. Secord. Yes. I met him with counsel.

Mr. Liman. Did you discuss with him which records should be turned over and which shouldn't?

Mr. Secord. No.

Mr. Liman. Did you look at the records that he was going to turn over?

Mr. Secord. No. His lawyer would not allow me to look at the record.

Mr. Liman. Who suggested you go to Geneva?

Mr. Green. I am going to interpose an objection on attorney-client grounds.

Chairman Inouye. At this moment I advise counsel that if he wishes to interpose an objection, he should address the Chair and not Mr. Liman.

Mr. Green. I will, sir.

I would like to interpose an objection based on attorney-client privilege.

Mr. Liman. Mr. Secord, did there come a time when the United States Government requested the Swiss to provide the full records of the Swiss bank accounts involved in the Iranian and Contra transactions?

Mr. Secord. Yes.

Mr. Liman. Did you, notwithstanding your testimony that you have no interest in these accounts, interpose an objection to that request?

Mr. Secord. Correct.

Mr. Liman. Did you go to court in Switzerland opposing that request?

Mr. Secord. Yes. I relied on counsel's advice.

Mr. Liman. Did you pay counsel to oppose this request for records of accounts in which you had no interest?

Mr. Secord. Well, I relied on my counsel's advice. That is what we did.

Mr. Liman. Were you doing that as a matter of principle?

Mr. Secord. I relied on counsel's advise.

Mr. Liman. Were you doing that in order to uphold the sanctity of the Swiss secrecy laws?

Mr. Secord. I have answered the question.

Mr. Liman. Did there come a time when the Senate Committee asked you to waive Swiss secrecy?

Mr. Secord. Yes, sir.

Mr. Liman. And you successfully opposed that request in court; is that correct?

Mr. Secord. That is correct.

Mr. Liman. And you paid, again, fees to oppose the request for inspection of records in which you had no interest; correct?

Mr. Secord. Well, I wish I had been able to pay fees. But since I don't have any money to pay these fees, my lawyer has not gotten any funds for that action in court.

Mr. Liman. Well, you owe it, don't you?

Mr. Secord. You owe it, yes.

Mr. Liman. So you incurred an obligation?

Mr. Secord. Yes, sir.

Mr. Liman. In order to oppose a request for records which you are telling this committee or committees you have no interest in?

Mr. Secord. That is correct.

Mr. Liman. And am I correct that you answered yesterday that you haven't yet decided whether you are prepared to waive?

Mr. Secord. I believe my answer was that I probably will sign the waiver. I am inclined to do so. I have to consult with my counsel on this matter just as soon as these hearings are over.

Mr. Liman. But you have had some four months to consult; am I correct?

Mr. Secord. Not on this particular request. We didn't know we were going to be asked to do this. I was coming voluntarily to prepare before you. I didn't come to be badgered by these questions I have answered already repeatedly.

Mr. Liman. Have you not had this request before you since January to waive?

Mr. Secord. I relied on the advice of my counsel. Let's get off the subject.

Mr. Liman. You are making the rulings?

Mr. Secord. No, sir. But I did not come here to be badgered.

Mr. Liman. And you are not prepared as you sit here today to say that these records can be available to the committees?

Mr. Secord. My answer stands.

Mr. Liman. Fine.

Now when you looked at these records in the committee's offices, did you observe that money was still being credited to a capital account under the name of Korel after you allegedly relinquished your interest?

Mr. Secord. I don't recall seeing money was still being credited there. Could have been. I wasn't focusing on that. We are trying to focus on what Korel was all about. There were dogs and cats and all manner of line items in that account.

Mr. Liman. Well, is it a fact that the records showed no money even during the period that you had your profit interest, according to your testimony, being credited to you under your own name?

Mr. Secord. I don't understand the question.

Mr. Liman. Wasn't the money being credited to you during the 1984-85 period under the name of Korel?

Mr. Secord. I am not sure. I don't know.

Mr. Liman. Didn't you see splits of the profits?

Mr. SECORD. I saw a lot of numbers that we couldn't make any sense out of. We labored for a long time trying to make sense out of them. There were operational expenses throughout that Korel account.

Mr. LIMAN. Did you find anything in those records which indicated that money was being credited to your capital account?

Mr. SECORD. No.

Mr. LIMAN. And you don't know under what name the money was being credited to your account by Mr. Hakim in 1984?

Mr. SECORD. I was told it was under an account under my name.

Mr. LIMAN. And so—your claim is that the first time you discovered that there was no money that appeared on these records being credited to your account was when you came to our offices?

Mr. SECORD. Again, the question is too vague. I don't know what you are saying.

Mr. LIMAN. Is it your testimony that the first time you realized that there was no money credited to your capital account under your name was when you saw records in our offices?

Mr. SECORD. I didn't see any capital account under my name when I saw the records in your offices.

Mr. LIMAN. That is the point, isn't it? You saw capital accounts, but nothing that reflected your name?

Mr. SECORD. I looked for it and couldn't find it.

Mr. LIMAN. Do you know what happened to those records?

Mr. SECORD. I don't know.

Mr. LIMAN. Did you ever discuss with Mr. Hakim what happened to those records?

Mr. SECORD. I have had no discussions with Mr. Hakim on the records.

Mr. LIMAN. Did Mr. Hakim tell you at the time in 1984 and 1985 that he was crediting money to your account?

Mr. SECORD. Under my name, yes.

Mr. LIMAN. And so it came as a surprise to you when you didn't see it, correct?

Mr. SECORD. I was looking for it, yes.

Mr. LIMAN. And did you have a partner in this venture by the name of Korel?

Mr. SECORD. No.

Mr. LIMAN. So you don't know who would be getting the capital profits that were being credited to Korel, do you?

Mr. SECORD. I don't know that those are profits. That is a capital account from which there are a lot of operational expenditures disbursed.

Mr. LIMAN. Did you—you kept your own record, am I correct, of the receipts and disbursements in this account?

Mr. SECORD. I kept an approximate record, and I turned it over to you.

Mr. LIMAN. Those are records that were reviewed yesterday?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And those are records that reflected information that was being given to you by Mr. Hakim?

Mr. SECORD. Information I was giving him and info he was giving me.

Mr. LIMAN. Was there any occasion on which Hakim turned down your request for information during that period?

Mr. SECORD. No, I can't think of any.

Mr. LIMAN. Now you said that you had no direct economic interest in these accounts after August of 1985, is that correct?

Mr. SECORD. I said approximately that timeframe, yes.

Mr. LIMAN. Yes. Did Hakim ever tell you that he was leaving instructions in his will that you would have the control over these funds if anything happened to him?

Mr. SECORD. Yes, he did.

Mr. LIMAN. Tell us what he said.

Mr. SECORD. He said that he thought it was prudent since he had the sole management responsibility for this enterprise, that if something occurred to him, that I would have to—since he had all the accounts, I had no signatory authority at all; that he was making a will. I have not seen the will. He informed me he made a will which would give me the necessary authority.

Mr. LIMAN. When you say "necessary authority," you mean authority that would draw money from these accounts?

Mr. SECORD. Yes.

Mr. LIMAN. When did he tell you that?

Mr. SECORD. I don't remember exactly, but it was about the time the Iranian initiative got started.

Mr. LIMAN. You testified yesterday and today that you received no money from either the arms sales to the Contras or to the—to Iran; am I correct?

Mr. SECORD. I said I got my salary.

Mr. LIMAN. And your salary was all that you got, and that salary was $6,000 a month?

Mr. SECORD. My personal money, yes.

Mr. LIMAN. Now, you remained a partner in STTGI, right?

Mr. SECORD. Yes.

Mr. LIMAN. And Mr. Hakim was your partner?

Mr. SECORD. Yes.

Mr. LIMAN. Did STTGI, the partnership that you had with Mr. Hakim, receive payments from Switzerland?

Mr. SECORD. Yes.

Mr. LIMAN. And do you remember how much it received?

Mr. SECORD. I estimated for you that it was, over time, about four or five hundred thousand dollars.

Mr. LIMAN. And this money was coming from the Swiss accounts?

Mr. SECORD. This money appears to have been coming from those Swiss accounts that we looked at in your committee room. My belief was that this was the result of the line of credit loan that we signed with CSF in 1985.

Mr. LIMAN. So when this money was coming in in 1985 and 1986, it is your testimony that you treated it as if it were a loan by Mr. Hakim's companies?

Mr. SECORD. A loan from CSF.

Mr. LIMAN. What is CSF?

Mr. SECORD. CSF is a fiduciary company and a brokering company in Switzerland, owned by Mr. Zucker.

Mr. LIMAN. It is owned by Zucker?

Mr. SECORD. I believe it is, yes.

Mr. LIMAN. And Zucker is Hakim's representative; am I correct?

Mr. SECORD. Yes.

Mr. LIMAN. Now, who arranged for these payments to come from CSF?

Mr. SECORD. Mr. Hakim.

Mr. LIMAN. Did you ever sign any notes?

Mr. SECORD. No—yes, I did sign a note with CSF. So did he.

Mr. LIMAN. How much? For how much?

Mr. SECORD. I don't recall. I'd have to look at the documents.

Mr. LIMAN. Have you paid the money back?

Mr. SECORD. We've been unable to pay the money back.

Mr. LIMAN. Have you had any demands in writing to pay the money back?

Mr. SECORD. Not as yet.

Mr. LIMAN. How long has this alleged loan been outstanding?

Mr. SECORD. I didn't call it an alleged loan.

Mr. LIMAN. How long has what you call a loan been outstanding?

Mr. SECORD. Now? Two years.

Mr. LIMAN. Have you been paying any interest on it?

Mr. SECORD. No.

Mr. LIMAN. Do you know where the monies are derived from?

Mr. SECORD. I think—it appears that the monies came from our accounts, from Hakim's accounts.

Mr. LIMAN. And it appears that those monies came from the arms sales to the contras and Iran, doesn't it?

Mr. SECORD. Not Iran, no.

Mr. LIMAN. When you say "not Iran," the money is fungible, isn't it?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And the sources of money in those accounts that you looked at were from the arms sales to Calero, from arms sales to Iran, and from contributions for the Contras, right?

Mr. SECORD. Right.

Mr. LIMAN. So this four, five hundred thousand, or whatever it is, came from those sources, correct?

Mr. SECORD. I haven't been able to audit those accounts yet, but it appears that that is what happened. Remember, Mr. Hakim—since you are talking about monies being fungible, remember Mr. Hakim had a considerable profit account of his own.

Mr. LIMAN. But the monies you have seen by looking at those records came from the accounts into which the money was going from these arms sales, correct?

Mr. SECORD. Which might be his profit account. I don't know.

Mr. LIMAN. Well, didn't those accounts, when you looked at them, start with balances close to zero and build up from the profits of these sales?

Mr. SECORD. Yes.

Mr. LIMAN. And you still deny that the money that Stanford Technology Group, Stanford Technology Trade Group, Inc., was receiving was coming from the arms sales or contributions to Contras?

Mr. SECORD. I've already answered the question. I don't know. I imagine we will find out.

Mr. Liman. In fact, did some of the payments come in October of 1986?

Mr. Secord. I don't have any documents in front of me here.

Mr. Liman. Do you remember that?

Mr. Secord. I don't remember specifically.

Mr. Liman. If I represent to you that the records show they did, would that refresh your recollection?

Mr. Secord. I'd have to look at it and study it.

Mr. Liman. When you looked at those records in our offices, weren't you interested in finding out how much money came to your company from the Iranian arms sales?

Mr. Secord. No. We were trying to determine other facts.

Mr. Liman. Did you also get money at Stanford Technology Group from Udall?

Mr. Secord. Yes.

Mr. Liman. Udall was a company that was formed to own the aircraft and air strip for the Contras; am I correct?

Mr. Secord. Yes, sir.

Mr. Liman. And am I also correct that whatever money went to Udall came from these Swiss accounts?

Mr. Secord. Right.

Mr. Liman. And the money that went to Udall was derived therefore from the Iranian profits or the contributions, correct?

Mr. Secord. Correct.

Mr. Liman. And how much money went from Udall to your partnership, Stanford Technology Trade Group, Inc.?

Mr. Secord. I think it was $50,000. We agreed, Hakim and I, that I needed to hire another man to try to straighten out this contra project. So, as I testified, I hired Colonel Robert Dutton, starting in May of 1986. It was our agreement, Hakim's and mine, that STTGI would be reimbursed from Udall for his services. And we submitted several invoices; only one of them ever got paid.

Mr. Liman. And what was your fee to be at Stanford Technology?

Mr. Secord. My agreement with Hakim on this was that for a one-year period, that we would bill them for up to $200,000 to cover the cost of his salary and expenses, travel back and forth.

Mr. Liman. What was his salary?

Mr. Secord. $5,000 a month.

Mr. Liman. $60,000?

Mr. Secord. Per year, right.

Mr. Liman. Did you not in addition bill them for the out-of-pocket expenses such as his travel?

Mr. Secord. I think on one invoice we did bill. That was to be part of the $200,000.

Mr. Liman. Would you look at exhibit 16 in the book before you?

[Exhibit 16 appears at p. 560.]

Mr. Secord. Sure. OK. I have it.

Mr. Liman. It indicates that this is an invoice dated June 26, 1986?

Mr. Secord. Right.

Mr. Liman. Is that an invoice that you approved?

Mr. Secord. Yes, sir.

Mr. Liman. And it was for $50,000 to cover Mr. Dutton's salary?

Mr. SECORD. That is right. And overhead in the office and so on.

Mr. LIMAN. Well, Stanford Technology Trade Group was in business before you got into this; right?

Mr. SECORD. Right.

Mr. LIMAN. And you also were receiving these substantial loans at that time; right?

Mr. SECORD. Right.

Mr. LIMAN. Now in addition to the $50,000, did you bill for as little as $25.05 for a lunch meeting?

Mr. SECORD. These were the bills he submitted.

Mr. LIMAN. So that you were billing for your disbursements as well as this fee?

Mr. SECORD. Yes.

Mr. LIMAN. And wasn't it a fact that there was a markup for profit in what you were billing Udall?

Mr. SECORD. I don't think so, but we billed just like lawyers did. We billed for a fee.

Mr. LIMAN. Would it shock you to learn that lawyers bill for profit?

Mr. SECORD. Hardly.

Mr. LIMAN. And would that therefore refresh your recollection that you also billed for profit?

Mr. SECORD. Possible, but Mr. Hakim, I agreed with Mr. Hakim to fence about $200,000 to cover the cost of this additional burden. That was the route we were traveling. By the way, we submitted another invoice which we don't have here, but it was never paid.

Mr. LIMAN. Mr. Secord, when you say you agreed with Hakim, weren't you directing the payments out of these Swiss accounts?

Mr. SECORD. In effect.

Mr. LIMAN. So you directed that this amount be paid to Stanford Technology Group; is that correct?

Mr. SECORD. Yes. We needed to run the company and cover overhead.

Mr. LIMAN. And you also—we will talk more about overhead in a moment. You also directed that the money be given to Udall in the first place?

Mr. SECORD. Right.

Mr. LIMAN. Now did you also receive other payments from or through the Swiss accounts during this period?

Mr. SECORD. Other payments were, into Stanford Technology?

Mr. LIMAN. Either Stanford Technology or to yourself?

Mr. SECORD. Well, not to me.

Mr. LIMAN. Well, would you look at exhibit 24, which is a transfer order from the Republic National Bank, dated October 1, 1985, for a check to be issued to Richard V. Secord, Stanford Technology, in the amount——

Mr. SECORD. Yes.

Mr. LIMAN. Let me get the amount down, $29,578.

[Exhibit 24 appears at p. 577.]

Mr. LIMAN. Was that also money that was derived from these funds in the Swiss accounts?

Mr. SECORD. Yes. It says it came from CSF Investment.

Mr. LIMAN. What was that for?

Mr. SECORD. This was part of our line of credit loan.

Are we looking at the same document?

Mr. **Liman**. I hope so.

Mr. **Secord**. I am looking at one that is $25,000.

Mr. **Liman**. It is the next page. One of them is for $25,500.

Mr. **Secord**. That is the one I am looking at.

Mr. **Liman**. That is to Richard V. Secord?

Mr. **Secord**. Stanford Trading Group International.

Mr. **Liman**. That money came out of CSF?

Mr. **Secord**. That is what the document says, yes.

Mr. **Liman**. That money was money that you had generated through arms sales to CSF; is that correct?

Mr. **Secord**. Possibly.

Mr. **Liman**. Is it also true—when you say possible, were you generating money from things other than that in September of 1985?

Mr. **Secord**. No. It is possible this came from CSF, as I believe it was coming.

Mr. **Liman**. If you look at the next document, that is an issuance of a check to Green for $29—A.F. Green, for $29,578—which is not, I should say, your lawyer. Did you direct that payment?

Mr. **Secord**. No.

Mr. **Liman**. Do you know what it was for?

Mr. **Secord**. I have no idea.

Mr. **Liman**. Now——

Mr. **Secord**. I don't think it is related to us.

Mr. **Liman**. Did you also direct payments to ACE, Mr. Gadd's company?

Mr. **Secord**. Yes, sir.

Mr. **Liman**. In directing the payments to ACE, did you provide for a profit markup for Mr. Gadd of over 50 percent?

Mr. **Secord**. Profit of over 50 percent? I don't believe so. But he was expected to make a reasonable profit. It was a commercial enterprise.

Mr. **Liman**. Did you determine what that profit would be?

Mr. **Secord**. No. But I tried to monitor it.

Mr. **Liman**. Would you look at exhibit 15?

[Exhibit 15 appears at p. 557.]

Mr. **Secord**. May I read it briefly?

I haven't seen this for a long time.

This is Mr. Dutton's analysis which I asked him to undertake of the ACE operation.

Mr. **Liman**. Did Mr. Dutton report to you that Mr. Gadd was getting a profit of some 58 percent or 57.6 percent?

Mr. **Secord**. This was his estimate. In two different months.

Mr. **Liman**. Now those monies also were coming from the funds generated by the Iranian arms sales, contributions, and the original Calero sales; correct?

Mr. **Secord**. Yes.

Mr. **Liman**. Tell us what Defex Fribourg or Defex Switzerland is.

Mr. **Secord**. I am not sure. I speculated, based on my recall of some conversations which I had had with Mr. Hakim—I speculated to your staff that this was a cover mechanism that he had built into the accounts.

Mr. **Liman**. Would you explain what you mean by that?

Mr. SECORD. It appears in managing the accounts, Mr. Hakim had set up one or more companies through which he transferred monies for the purpose of disguising the source of the monies.

Mr. LIMAN. And who was he trying to disguise the money from? You?

Mr. SECORD. No. All the arms dealers.

Mr. LIMAN. Well, did the arms dealers have something which the United States Government did not—access to his Swiss records?

Mr. SECORD. No, but he didn't want them to be aware of the banks from which the monies were flowing in every case. He was trying to confuse—he was trying to confuse the situation, and he did.

Mr. LIMAN. Well, did he own Defex Company in Portugal?

Mr. SECORD. I think so.

Oh, no. In Portugal? No, sir. I thought you meant the Fribourg Shell Company.

Mr. LIMAN. So, he took a name, Defex, which was the name of the Portuguese arms company and put that on the name of one of the bank accounts into which this money was flowing?

Mr. SECORD. So it appears.

You are going to have to ask him what his exact rationale was.

Mr. LIMAN. Did you discuss that with him?

Mr. SECORD. I told you I have a vague recollection of a discussion with him on this matter, and it was a cover mechanism.

Mr. LIMAN. And the cover was so that other arms dealers wouldn't know which banks he had his money in?

Mr. SECORD. That is correct.

Mr. LIMAN. How many bank accounts are you aware of that Mr. Hakim was keeping the money in?

Mr. SECORD. I don't know. I think there were seven or eight.

Mr. LIMAN. I don't want to go much further on that eight million except to ask you these questions.

The money is still there, correct?

Mr. SECORD. Yes, sir. That is what Mr. Hakim has testified to.

Mr. LIMAN. When you say, "he has testified to," your testimony as you sit here today is other than what Hakim has testified to; he has never told you, "We still have the money"? That is what you are telling us?

Mr. SECORD. He has told me repeatedly that we still have the money.

Mr. LIMAN. OK.

Mr. SECORD. But he didn't quantify it for me.

Mr. LIMAN. Did you ask him when he told you, "We still have the money", " What are you going to do with it?"

Mr. SECORD. I asked him what he is going to do with it. It was frozen.

Mr. LIMAN. Do you have any deal with Mr. Hakim for sharing in that money when it is unfrozen?

Mr. SECORD. No, Mr. Liman. I do not.

Mr. LIMAN. So far, as you know, this money is his to do with as he wishes if it is unfrozen?

Mr. SECORD. It is a difficult question. I am not a lawyer, but I have testified to you that the money is the enterprise's money.

These enterprises were set up at my direction and under my overall supervision.

I have told you there are many bills outstanding and these bills are worrisome to me. I don't know how much money is going to be left once they are all paid off, and we will cross that bridge at that time.

Mr. LIMAN. What is the enterprise called?

Mr. SECORD. I call it "the enterprise". The enterprise is the group of companies that Mr. Hakim formed to manage the Contra and the Iranian project.

Mr. LIMAN. Is the enterprise what Ollie North refers to as Project Democracy?

Mr. SECORD. If he referred to my enterprise as Project Democracy, he never did so to me.

Mr. LIMAN. Who controls the enterprise?

Mr. SECORD. I exercised overall control.

Mr. LIMAN. Including of the bank money?

Mr. SECORD. But not the bank money. It was not under my control. It was under Mr. Hakim's control. I entrusted to him the financial management of this network.

Mr. LIMAN. The two purposes of the enterprise were Contra assistance and the Iranian arms deals?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And no other purposes?

Mr. SECORD. There were no other purposes intended.

Mr. LIMAN. Now, did you testify, incidentally, that you have no connection with Hakim's company Stanford Technology in California?

Mr. SECORD. I have no current connection. He had me listed as a member of the board of directors a couple of years ago, but that has been dropped.

Mr. LIMAN. And he added you to the board of directors in 1985?

Mr. SECORD. I think it was 1984.

Mr. LIMAN. And he added you to the board of directors at the time that you were doing these arms sales?

Mr. SECORD. No, before. Way before.

Mr. LIMAN. If I were to show you exhibit 18, would that refresh your recollection that you were added to the board of directors on June 4, 1985?

[Exhibit 18 appears at p. 563.]

Mr. SECORD. That is what it says. I have never seen that before.

Mr. LIMAN. And that was at the time you were producing the business from Calero?

Mr. SECORD. Yes, but I think this simply confirmed an earlier agreement.

Mr. LIMAN. Can you tell me whether there were any other sources of revenue for your business with Mr. Hakim other than the arms sale to the Contras, the Iranian arms sales and the contributions you were receiving for the Contras?

Mr. SECORD. Yes.

We had income from different clients that we represented.

Mr. LIMAN. And were those still continuing operations in 1985?

Mr. SECORD. They were, but because of neglect, we lost our major client.

Mr. **Liman**. Now, in 1986, you testified, you were asked to serve as the commercial cutout in the Iran deal. Am I correct?

Mr. **Secord**. Yes, sir.

Mr. **Liman**. And your testimony has consistently been that you were doing that for your country and not for profit; correct?

Mr. **Secord**. That is right.

Mr. **Liman**. And you said that the purpose of your playing this role was to conceal the United States involvement from Iran; correct?

Mr. **Secord**. That was one of the purposes, yes.

Mr. **Liman**. Well, didn't you testify yesterday that that was what the purpose was?

Mr. **Secord**. I said that the two countries could not deal with one another directly. It was, therefore, decided to mirror more or less the previous Israeli operation.

Mr. **Liman**. Mr. Secord——

Mr. **Secord**. I didn't make that decision, Mr. Liman. You know a bunch of lawyers made that decision. I wasn't the interior decorator of that decision, the U.S. Government could have performed that operation in an infinite number of ways. They chose to do it the way they chose to do it for the reasons they did.

Mr. **Liman**. Do you recall yesterday at page 36 being asked these questions by Mr. Nields——

Mr. **Secord**. Can I see the page? I don't have it.

Mr. **Liman**. Well, we will give you the transcript.

754, if you look at it, I am going to read it. 750 I will start.

Mr. **Green**. What page?

Mr. **Liman**. Page 36.

Mr. **Green**. Page 36 on ours is blank. Page 36 has got one line on it.

Mr. **Liman**. Do you have 37?

Mr. **Green**. I got a 37 right after 36.

Mr. **Liman**. Do you have a 35?

Mr. **Green**. Which would you like us to look at?

Mr. **Liman**. I would like you to look at 36.

Mr. Secord, you testified with some precision yesterday about events going back over a year or two. I am asking you now about something that took place yesterday.

Were you asked these questions and did you give these answers?

Mr. **Secord**. Yes, sir.

Mr. **Liman**. At line 750,

> Mr. **Nields**. I think you indicated that neither Israel nor the United States could sell directly to Iran. I think you said that that wasn't a legal problem, it was some other kind of problem.
>
> Precisely from whom was this plan designed to keep the fact that the United States would be selling to Iran?
>
> Mr. **Secord**. From whom?
>
> Mr. **Nields**. Let me—
>
> Mr. **Secord**. Who was involved in the planning?
>
> Mr. **Nields**. No. Let me reframe it. I take it both the United States and officials in Iran knew that the United States was selling arms to Iran.
>
> Mr. **Secord**. Right.
>
> *Question*. OK. The commercial cut-out was designed in order to conceal that fact.
>
> Answer. Yes.
>
> *Question*. From whom?
>
> Answer. From the Iranians.

Question. Anyone else?

Answer. No.

Question. How about the Congress?

Answer. If that was intended, it was never discussed in my presence. I don't think that was their plan. I think that they were interested in concealing it from Iran only.

Were you asked those questions and did you give those answers?

Mr. SECORD. Yes.

Mr. LIMAN. And were they true?

Mr. SECORD. Well, they were true. I could expand on that if you want.

Mr. LIMAN. Well, I will have some questions for you that will give you that opportunity

Mr. SECORD. Shoot.

Mr. LIMAN. Is it a fact that the weapons that were delivered to Iran were U.S. weapons?

Mr. SECORD. Yes.

Mr. LIMAN. Is it a fact that Mr. North, Colonel North, dealt directly with the Iranian official?

Mr. SECORD. After we were able to arrange it, yes.

Mr. LIMAN. Is it a fact that Mr. McFarlane dealt directly with the Iranian official in Tehran?

Mr. SECORD. Yes. Secretly.

Mr. LIMAN. Was Mr. McFarlane posing as a representative from Timbuktu or as a representative of the United States?

Mr. SECORD. Obviously from the United States.

Mr. LIMAN. Did you carry over a Bible to the Iranians inscribed by the President of the United States?

Mr. SECORD. They did, yes.

Mr. LIMAN. And you were aware of it?

Mr. SECORD. Yes.

Mr. LIMAN. And the President of the United States didn't disguise who he was, did he?

Mr. SECORD. No.

Mr. LIMAN. So it is still your testimony that the purpose of putting you in as an intermediary was to conceal the fact that the United States was dealing with Iran from the Iranians?

Mr. SECORD. Sure. And it makes sense. The Iranians had to be able to say they were not dealing with the Great Satan directly, they were dealing with a company, they were dealing through Europe.

Mr. LIMAN. Did Lake ever send a single invoice to the Iranians?

Mr. SECORD. No.

Mr. LIMAN. Did it ever issue a single piece of paper to the Iranians saying you are buying these from Lake?

Mr. SECORD. Mr. Nields—excuse me—Mr. Liman, there's no question the covert operation was designed to be concealed from Congress. There is no question of that. I mean, they didn't—they chose not to notify the Congress. But that wasn't my decision. It wasn't my decision at all. I wasn't involved in that decision.

Mr. LIMAN. Well, isn't it a fact that Lake's identity was the thing that was concealed here from the Iranians?

Mr. SECORD. I don't follow you.

Mr. LIMAN. Well, you never gave out cards saying "Lake" to the Iranians?

Mr. SECORD. Oh, yes, we did.

Mr. LIMAN. You never gave them the name of Lake as the place to send it; didn't you just give them a bank account number?

Mr. SECORD. No, no. We gave them Lake.

Mr. LIMAN. Did you give them invoices?

Mr. SECORD. No, but we sure gave them the name of the account. They knew they were dealing with Lake.

Mr. LIMAN. And they knew that Lake was being the intermediary for the U.S. Government?

Mr. SECORD. Those who were in the know knew it, yes.

Mr. LIMAN. Now, is it a fact that the reason that Lake was employed was to generate these markups that would be used for the contras?

Mr. SECORD. Wrong. I suggest you ask the designers.

Mr. LIMAN. Well, let's talk about one of the designers. Would you look at exhibit 10, which is a memorandum prepared by Colonel North, found in his files.

Mr. GREEN. We don't have a No. 10, Mr. Liman.

Mr. LIMAN. You do not have an exhibit 10?

Mr. GREEN. We do not have it, sir.

Mr. LIMAN. Well, you should.

Mr. SECORD. I have the document. Any particular part of the document you want me to look at?

Mr. LIMAN. You have seen parts of this printed in the Tower Report; am I correct?

Mr. SECORD. Yes.

Mr. LIMAN. This is the famous diversion memo, as it has been called.

Mr. SECORD. I believe so.

Mr. LIMAN. If you look at page 5, N7519——

Mr. SECORD. OK.

Mr. LIMAN [continuing]. It reads, "The residual funds from this transaction are allocated as follows: $2 million will be used to purchase replacement TOWs for the original 508 sold by Israel to Iran for the release of Benjamin Weir. This is the only way that we have found to meet our commitment to replenish these stocks."

See that?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And the second paragraph: "$12 million will be used to purchase critically needed supplies for the Nicaraguan Democratic Resistance Forces. This material is essential to cover shortages in resistance inventories resulting from their current offensives and Sandinista counter-attacks and to bridge the period between now and when congressionally approved lethal assistance (beyond the $25 million in defensive arms) can be delivered."

Did you read that?

Mr. SECORD. Yes.

Mr. LIMAN. Did you tell Oliver North that $12 million from the May transaction was going to be used for the Contras?

Mr. SECORD. No, sir.

Mr. LIMAN. Is your view that Oliver North just made that up?

Mr. SECORD. Yes, sir.

Mr. **Liman**. Is your position, Mr. Secord, that Oliver North was prepared to let you generate whatever profits you could to use as you saw fit?

Mr. **Secord**. It's my position that he knew that I was generating money to keep the enterprise going. He well knew, at least in a macro sense, what the numbers were, and he had a trust in me and my men and he felt that we were doing the right thing.

Mr. **Liman**. I don't think you answered the question. Is it your position that Oliver North was prepared to let you spend whatever the profit was as you saw fit?

Mr. **Secord**. Yes.

Mr. **Liman**. And that you never told him before you were brought into this transaction as a "commercial cutout," end of quote, that the money would be dedicated for the Contras?

Mr. **Secord**. No, definitely not. He had an expectation, I think he had a legitimate expectation that we would support the contras to the extent that we could. After all, this airlift project was mine. I conceived of it, others were operating it but I conceived of it, wanted it to function correctly. It had to have money. It was always short of money. You have documents that prove that.

We sent the money that we thought that we could spare from the Iranian initiative.

Mr. **Liman**. Did you tell them that that is what you would do before you were written into this transactions as the commercial cutout?

Mr. **Secord**. It was never discussed before I was written into this transactions.

Mr. **Liman**. At the time you entered into the transaction, were you aware that there was a difference between the price that the arms could be purchased from the United States at under the Economy Act and the price that you could get from Iran?

Mr. **Secord**. I was not initially aware of that, but I became aware of it.

Mr. **Liman**. Were you not aware of that in January before the January finding was signed that the Iranians were prepared to pay $10,000 a TOW?

Mr. **Secord**. I don't recall whether I was informed of that at that time or not. I don't think so.

Mr. **Liman**. I will show you a document later that I think will refresh your recollection.

Mr. **Secord**. All right.

Mr. **Liman**. Do you remember being told at some point that that is what they were prepared to pay?

Mr. **Secord**. That is what Ghorbanifar had offered during his visit here. I didn't talk to Ghorbanifar when he was here in January.

Mr. **Liman**. But you were told——

Mr. **Secord**. North told me at some point he was proposing to sell the missiles for $10,500 each.

Mr. **Liman**. And you knew that the economy rate was lower?

Mr. **Secord**. No, I didn't. The first that I heard of an economy rate was when I was in a meeting with—in the SIT room with the CIA lawyer.

Mr. **Liman**. And that is when you were looking over the findings?

Mr. **Secord**. Yes.

Mr. **Liman**. And you understood that there was going to be a substantial surplus, did you not?

Mr. **Secord**. At that time when I was looking over the finding?

Mr. **Liman**. Yes.

Mr. **Secord**. No.

Mr. **Liman**. When did you first realize that there was going to be a big markup?

Mr. **Secord**. After we found out what the missiles cost and after I computed, and it took quite a while, what the probable expenses would be.

Mr. **Liman**. Didn't you find out the missiles would cost $3,500 roughly?

Mr. **Secord**. Not during that meeting. It was later.

Mr. **Liman**. Later in January?

Mr. **Secord**. Yes.

Mr. **Liman**. So by some time in the end of January you knew that the Iranians were going to pay $10,000 a missile and that you would be paying something around $3,500? Right?

Mr. **Secord**. Mr. Liman, we could have sold those missiles at par and the government could have financed my operation. They chose not to do it that way.

Mr. **Liman**. Well, your position yesterday was that your markup was to cover overhead?

Mr. **Secord**. That is right, and operating expenses.

Mr. **Liman**. And is it your view that you needed $6,500 a missile to cover overhead?

Mr. **Secord**. It was my view that we needed to accept the offer made by Mr. Ghorbanifar, because we had a very uncertain, very broad scope covert operation to execute. The enterprise needed money. The enterprise needed money, Mr. Liman. You wouldn't have done it without generating money. You would have been foolish to do so.

It would have been irresponsible not to put money into those accounts. The U.S. Government did not give me money to run these complex operations. I wish they had.

Mr. **Liman**. Is it your position that Ghorbanifar would not have accepted a price less than ten?

Mr. **Secord**. He would have gladly accepted a price less than ten.

Mr. **Liman**. You set the ten when you knew he was willing to pay it?

Mr. **Secord**. Right.

Mr. **Liman**. And at the time you were talking about the sale of 4,000 TOW's, is that correct, to Iran?

Mr. **Secord**. The question was there were to be 4,000 TOW's sold——

Mr. **Liman**. To Iran.

Mr. **Secord**. That was the initial plan, yes.

Mr. **Liman**. And do you have a piece of paper there that you can do some arithmetic on?

Mr. **Secord**. Yes.

Mr. **Liman**. 4,000 TOWs at $10,000 each would be——

Mr. **Secord**. $40,000.

Mr. **Liman**. And at $3,600 each, 4000 TOWs would be something like $14 million?

Mr. **Secord**. I don't know.

Mr. **Liman**. Well——

Mr. **Secord**. It is an interesting exercise, it is hypothetical. It never was enacted.

Mr. **Liman**. But that is what you were talking about at the time?

Mr. **Secord**. We also sold TOWs at a lower price later on as the situation adjusted.

Mr. **Liman**. In January you were talking about 4000 TOWs at $10,000 each, weren't you?

Mr. **Secord**. Yes, that is absolutely correct.

Mr. **Liman**. And you never did any mental arithmetic that showed you you had $26,000—$26 million gross profit?

Mr. **Secord**. No, because we were going a step at a time. We didn't know if this operation was going to be terminated.

Mr. **Liman**. And it was your view that you needed $26 million for overhead?

Mr. **Secord**. I answered the question.

Mr. **Liman**. And you said you were going a step at a time because you thought the enterprise might be terminated?

Mr. **Secord**. We were not sure. It was one step at a time.

Mr. **Liman**. What would happen to the $26 million if they terminated the venture?

Mr. **Secord**. The $26 million is hypothetical. It never occurred, Mr. Liman.

Mr. **Liman**. It wasn't hypothetical when you were negotiating with the Iranian, was it?

Mr. **Secord**. We negotiated with Ghorbanifar for 4,000 missiles, we negotiated for 1,000 missiles.

Mr. **Liman**. Were you not told the deal was 4,000 missiles?

Mr. **Secord**. We, amongst ourselves, on the American side, talked about an authorization that had been given by the President for up to 400 missiles.

Mr. **Liman**. And did you not discuss that number with Ghorbanifar?

Mr. **Secord**. 4,000 missiles.

Mr. **Liman**. Yes?

Mr. **Secord**. I don't think so.

Mr. **Liman**. Now, did you have a discussion at some point where you were going to sell 1,000 missiles as the first step?

Mr. **Secord**. Yes, sir.

Mr. **Liman**. And you went over that with Mr. Nields yesterday; am I correct?

Mr. **Secord**. Yes, sir.

Mr. **Liman**. And when you did that, you ended up selling the missiles for $10 million, you say you paid $3,700,000, that left a gross profit of $6.3, you ended up with transportation expenses of $850,000, that left you a surplus of $5.4 and you set aside about $800,000 for the Israelis which left $4.6 million?

Mr. **Secord**. The numbers that I have testified to are as follows. $10 million in, $3.7 to CIA, approximately $850,000 to the expense of transportation, et cetera. $822,000 reserve for the Israeli TOW procurement——

Mr. LIMAN. What does that come to?

Mr. SECORD. And $2 million set aside for insurance. That is the total of $7.4. If you don't want to credit the $2 million and call it 5.4.

Mr. LIMAN. $5.4 means there was $4.6 million.

Mr. SECORD. At the bottom line $4.6, $2 million of it in a CD to cover hull insurance.

Mr. LIMAN. The $2 million in CDs to cover insurance is what we talked about before, when you returned the plane you kept the money?

Mr. SECORD. But the operation continued, so we had to have it.

Mr. LIMAN. But each time that you were selling arms you were charging a sufficient markup to cover the cost of the plane, weren't you?

Mr. SECORD. We still had that commitment, it went up.

Mr. Liman, this is not a hard concept to understand. I can't understand why you keep heckling me on this point. It is not a hard concept to understand. If it is too hard for you to understand, I am sorry. I have answered the question.

Mr. LIMAN. And your position is that the $4.6 million you had to keep in this——

Mr. SECORD. My position is as I stated it, not as you state it, so stop trying to change my story around. The facts are the facts.

Mr. LIMAN. And the facts are that at the end of this transaction when you returned the plane, you had $4.6 million left, isn't that the fact?

Mr. SECORD. Yes, fine. Get off of it. That is fine.

Mr. LIMAN. You will accept that?

Mr. SECORD. I will accept your construction.

Go ahead.

Mr. LIMAN. Is it the fact?

I am not interested in a construction.

Mr. SECORD. I said we had $4.6 left. I tried to explain it to you that we had $2 million in a CD. You don't want to credit it, so don't credit it, I do.

Mr. LIMAN. Is a CD something you can cash?

Mr. GREEN. Mr. Chairman, if I may, I would object to the line of questioning on the grounds it is now beginning to be just purely argumentative. It is harassment.

Mr. Secord has been over this and over this, I think to a point of complete and full explanation, and I do not think that any progress, significant progress in finding facts or discussing policy, is occurring here anymore.

I think there is an attempt to move Mr. Secord to a pre-arranged assessment that Mr. Liman has of this operation, and I think that all the general can do—he will, of course, be obedient to your ruling; he will continue to answer these questions, if he must—but I think he has answered them over and over again.

I would request as his counsel that the interrogation move on to another subject, please.

Chairman INOUYE. Your objections have been noted, sir. I am certain you realize that it is our responsibility to gather all the evidence available to present to the people of the United States a picture which will be as clear as possible.

It is the view of the Chair at this moment that the counsel should proceed as he has.

If at some later moment you feel that he has gone too far, please visit the Chair.

Mr. Liman, please proceed.

Mr. GREEN. Will the Chair indulge me a moment to speak with my client?

Chairman INOUYE. Please do.

Mr. GREEN. Thank you, sir.

Chairman INOUYE. Mr. Liman.

Mr. LIMAN. Did you understand a CD was something you could cash and spend?

Mr. SECORD. Yes, sir.

Mr. LIMAN. Now, do you have exhibit 11? I don't know what exhibits they gave you.

Mr. GREEN. I don't have it in the packet.

Mr. SECORD. I have the document, but I have not seen it before.

Mr. LIMAN. Have you read part of it in the Tower report?

Mr. SECORD. I may have. I am trying to read through it now.

Mr. LIMAN. This is a PROF note from Colonel North sent as a response to a May 16, 1986 note.

Do you recall that that was the period when you were receiving money for the Hawk missile parts transaction?

Mr. SECORD. I don't recall the exact dates, but it is approximately that day, yes.

Mr. LIMAN. And do you recall, Mr. Secord, that yesterday you testified that your profit on that transaction was $8.3 million; you put another $2 million aside in a CD, making $4 million in CDs. So, after you put the $2 million aside in a CD you had about $6.3 left? Am I correct?

Mr. SECORD. That is correct.

Mr. LIMAN. And would you look at Colonel North's PROF note? "You should be aware that the resistance support organization now has more than $6 million available for immediate disbursement."

Do you see that?

Mr. SECORD. Yes.

Mr. LIMAN. Did you tell Colonel North that the $6 million in excess of the CDs was available to be disbursed for the Contra movement?

Mr. SECORD. No, sir.

Mr. LIMAN. Do you think he just made this up, too?

Mr. SECORD. No. He knew what the numbers were, the approximate numbers.

Mr. LIMAN. Did he ask you whether you were prepared to commit that for the Contra movement?

Mr. SECORD. No. He knew that amount couldn't be sent to the Contras. We would have not had an operation.

Mr. LIMAN. So that the statement that this $6 million is available for the contras actually available for immediate disbursement, if it refers to your enterprise, is not true? That is what your testimony is?

Mr. SECORD. That is my testimony.

Mr. LIMAN. Now, you testified yesterday—in fact, yesterday you called the money that was in the—the $14 million that was generated in the venture as surplus. Do you recall that?

Mr. SECORD. Yes, sir.

Mr. LIMAN. Was there a reason that you don't like to use the term "profit"?

Mr. SECORD. Yes, because people have been calling me "profiteer." So, I thought perhaps a change of term might improve the accuracy.

Mr. LIMAN. And you have testified before that you resented very much the notion of being accused of profiteering?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And do you resent that?

Mr. SECORD. I do, indeed.

Mr. LIMAN. Now, is it a fact that out of the proceeds of the Iranian arms sale you bought a ship called the Erria?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And that ship was to be used for a covert mission assigned to you by Colonel North?

Mr. SECORD. Correct.

Mr. LIMAN. And that covert mission had nothing to do with Iran or the Contras?

Mr. SECORD. That is correct.

Mr. LIMAN. And you paid about $350,000 for that?

Mr. SECORD. Correct.

Mr. LIMAN. Now, I would like you to look at the exhibit that Mr. Nields directed you to in his examination, exhibit 3. It is number 17 of exhibit 3.

Mr. GREEN. We don't have a number 3.

Mr. LIMAN. You have that originally. You did not keep the exhibits?

Mr. SECORD. They took them out of our book. Maybe we have a full set now.

Mr. LIMAN. OK.

Mr. GREEN. We have a 1, a 2, and a 4.

Mr. SECORD. No 3. We don't have a full set.

Mr. LIMAN. Would you hand this?

Now, that is the message that you sent to Colonel North about chartering the Erria?

Mr. SECORD. Not No. 3.

Mr. LIMAN. It is exhibit 3, No. 17. Exhibit 3 consists of your messages sent on the machine, and it has a whole number of pages in it.

Mr. SECORD. OK. Exhibit 3, No. 17.

Mr. LIMAN. Right. Page 17. See it?

Mr. SECORD. I have it.

Mr. LIMAN. See, it begins, "Olmsted here in the office."

Mr. SECORD. Yes, sir.

Mr. LIMAN. Olmsted was a man you employed?

Mr. SECORD. He was a volunteer.

Mr. LIMAN. By "volunteer," are you suggesting he didn't get any money out of it?

Mr. SECORD. He got expenses only. He got no salary or compensation.

Mr. LIMAN. Was he a friend of Colonel North's?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And was Colonel North who introduced you to Olmsted?

Mr. SECORD. Yes, sir.

Mr. LIMAN. Olmsted is the man who assisted you in buying the air strip in Costa Rica?

Mr. SECORD. Yes, sir.

Mr. LIMAN. He was also the person who assisted you in buying this ship, the Erria?

Mr. SECORD. Yes.

Mr. LIMAN. And he operated at all times under this code name?

Mr. SECORD. Yes.

Mr. LIMAN. Now, did you tell Olmsted that he should try to charter this ship which you had paid about $350,000 for a $1.2 million for six months?

Mr. SECORD. That was the number we finally came to, as you see in my message.

Mr. LIMAN. And is it a fact, sir, that you estimated your rough expenses were $50,000 a month?

Mr. SECORD. That was our rough guess, yes.

Mr. LIMAN. So for six months, that would be $300,000?

Mr. SECORD. Yes.

Mr. LIMAN. And you would be getting a gross markup of a million two, of $900,000, the difference between 300 and a million point two?

Mr. SECORD. Using that arithmetic, you are correct.

Mr. LIMAN. You also said that one of the reasons that you needed to have a markup was that the mission was dangerous and the ship might not come back?

Mr. SECORD. Yes, sir.

Do you know where that ship was going?

Mr. LIMAN. And, second—yes, I knew where it was going.

Mr. SECORD. Then you would agree with me.

Mr. LIMAN. Is it your suggestion that the captain was prepared to go on a suicide mission?

Mr. SECORD. It is my suggestion that the captain was very brave and was willing to take a mission which involved considerable hazard.

Mr. LIMAN. But you were prepared to set aside what the cost of the vessel was, which was 374, right?

Mr. SECORD. Right.

Mr. LIMAN. And if the vessel came back, you would have the 375, right?

Mr. SECORD. Right.

Mr. LIMAN. Then you said something about the fact that you needed some money in the event that the crew lost their lives. You needed to pay death benefits; is that correct?

Mr. SECORD. Yes, and we didn't know all the costs. This was the first cut. We are not shipping people. I am not a naval officer. I don't know anything about running ships. So we are just taking a wild guess.

Mr. LIMAN. But when you took the wild guess, did you make sure you took a wild guess that left you with a lot of profit?

Mr. SECORD. Left me with enough money to do what we thought had to be done.

Wouldn't you do it that way, Mr. Liman?

Mr. LIMAN. Well, I don't purport to be in the business of philanthropy.

Mr. SECORD. Fine.

Mr. LIMAN. Now, is it a fact—and this is all I want from you—that when you set the charter rate for this vessel that you were setting it at a rate that would enable you to make profit?

Mr. SECORD. It appears that way. But that wasn't my thinking at the time. I wasn't considering the concept of profit. If there were any profits, of course, it would have gone into the enterprise.

Mr. LIMAN. It says, "Therefore, we are asking $50,000 per month for risk."

Mr. SECORD. Right.

Mr. LIMAN. Isn't that what the profit was for, taking the risk?

Mr. SECORD. If you want to call if profit, call it profit. It doesn't bother me.

Mr. LIMAN. And that money would have gone into this enterprise?

Mr. SECORD. Of course. That is where the money was coming from.

Mr. LIMAN. Now, let's go to the other assets that you bought. You bought the ship, of course, out of the money that came from the arms sale, right? Is that right?

Mr. SECORD. Yes, that is correct.

Mr. LIMAN. So the CIA—let's understand it. The CIA sold you the weapons for Iran at a company account price, right?

Mr. SECORD. Right.

Mr. LIMAN. You marked it up and ended up with a surplus, correct?

Mr. SECORD. Correct.

Mr. LIMAN. You used part of the surplus to charter the ship, to buy the ship?

Mr. SECORD. Right.

Mr. LIMAN. And then you wanted to charter the ship to the CIA for money from the CIA, in addition, right?

Mr. SECORD. Right.

Mr. LIMAN. Now, you used part of the money that you had in the enterprise from the arms sales and the contributions to buy five planes, an air strip, and some light ammunition in Central America; is that correct?

Mr. SECORD. Yes, sir.

Mr. LIMAN. Would you look at exhibit 4? Would you look at the last page there?

Mr. SECORD. Excuse me?

Mr. LIMAN. Look at the last page where it describes options.

Mr. SECORD. Yes.

Mr. LIMAN. And do you recall that the first option was to sell the planes, the air strip for $4 million to the CIA?

Mr. SECORD. That is the option listed by the author.

Mr. LIMAN. And the author was Mr. Dutton?

Mr. SECORD. Yes.

Mr. LIMAN. And Mr. Dutton is an employee of yours?

Mr. **Secord**. Right.

Mr. **Liman**. And you testified that you did not approve of this document?

Mr. **Secord**. That is correct.

Mr. **Liman**. And that this was not your proposal; that is correct?

Mr. **Secord**. That is not the proposal that we made to the CIA.

Mr. **Liman**. And that your proposal was to give it free?

Mr. **Secord**. That is correct.

Mr. **Liman**. Now I will read you from some testimony of Mr. Dutton, referring to this document.

> Did you show this document to General Secord once you had prepared it?
> Answer. Yes.
> Question. And did he approve it?
> Answer. Yes.

Is that true?

Mr. **Secord**. I don't recall having read all of the document, so I can not testify that I approved the document in whole. I saw it in parts as it was being developed over several months.

Mr. **Liman**. And it goes on to say—and the last page, which is this page, page 14 of the document:

> The various options that were presented to the CIA—who had explained those options to you?
> Answer. General Secord.

Is that true?

Mr. **Secord**. I don't understand the question.

Mr. **Liman**. Is it a fact that you are the author of the options listed on this page?

Mr. **Secord**. No. That is not a fact.

Mr. **Liman**. Is it a fact that you are the person who made the proposals that are listed here to Mr. Dutton to be put in this memorandum?

Mr. **Secord**. Wrong.

Mr. **Liman**. Is it a fact that you approved of these options?

Mr. **Secord**. Wrong.

Mr. **Liman**. So that if Mr. Dutton testified otherwise, he would be wrong?

Mr. **Secord**. I don't know what he's going to say, but I can tell you that it is not my recollection.

Mr. **Liman**. And did you authorize this document to be given to Colonel North?

Mr. **Secord**. I don't remember.

Mr. **Liman**. If Mr. Dutton said that this was given to Colonel North at your request, would that be wrong?

Mr. **Secord**. He would know. He was managing the project at that point.

Mr. **Liman**. Well, you wouldn't know whether you requested that it be brought to him?

Mr. **Secord**. I told him that I wanted a complete document which described the project itself and the assets therein. I have already testified as to why I wanted them priced out, including all the spare parts, munitions, everything, so the people could see it was a valuable asset.

Mr. LIMAN. I will read to you from Mr. Dutton again on page 29 of his testimony.

> *Question.* But the plan was that Colonel North was to discuss the sale of assets on behalf of the organization with the CIA?
> Answer. That is correct.
> *Question.* Sir, in addition to the assets, there was the resupply assets, also the air strip was among them, is that correct?
> Answer. That is correct.

Did you have a plan for Colonel North to try to persuade the CIA to buy these assets?

Mr. SECORD. I had a plan for Colonel North to persuade the CIA to take over this project.

Mr. Liman, you will note that even in Mr. Dutton's paper here, underneath one, it does not anticipate there is any profit. It says even in his plan these would go back into the funds for continued similar requirements.

Mr. LIMAN. Under this plan the money, if you got the $4 million or whatever, would go back to the enterprise, right?

Mr. SECORD. Right.

Mr. LIMAN. That enterprise is the enterprise that is sitting there with some $8 million now, right?

Mr. SECORD. Right.

Mr. LIMAN. Same enterprise?

Mr. SECORD. Right.

Mr. LIMAN. You haven't once asked Mr. Hakim to turn these $8 million back to the United States?

Mr. SECORD. To the United States?

Mr. LIMAN. Yes.

Mr. SECORD. No.

Mr. LIMAN. Now, incidentally, the assets were owned by Udall Corporation?

Mr. SECORD. I believe so, yes.

Mr. LIMAN. And were you a signator for Udall Corporation?

Mr. SECORD. No, I was not.

Mr. LIMAN. Were you the registered U.S. representative for Udall Corporation?

Mr. SECORD. No.

Mr. LIMAN. And if there are documents that are in this exhibit book that so state, they are just mistaken, too?

Mr. SECORD. That I am?

Mr. LIMAN. Yes, sir.

Mr. SECORD. Richard Secord?

Mr. LIMAN. Richard Secord.

Mr. SECORD. Then they are mistaken. Where are they? Let's look at them.

Mr. LIMAN. Well, exhibit 14.

[Exhibit 14 appears at p. 545].

Mr. SECORD. I have exhibit 14.

Mr. LIMAN. Look at the fifth page. It bears the number H-825. It is in French. Do you speak French?

Mr. SECORD. No, sir.

Mr. LIMAN. Well, it lists you as the representative in the United States. Richard V. Secord.

That is news to you?

Mr. **Secord**. That is news to me.

Mr. **Liman**. This is another piece of paper that is wrong?

Mr. **Secord**. It's irrelevant. It's news to me. I regard it as irrelevant, in any case.

Mr. **Liman**. It's irrelevant?

Mr. **Secord**. Yes. You don't see my signature on that paper.

Mr. **Liman**. Well, I don't see—is your signature on any paper relating to the enterprise? One single piece of paper?

Mr. **Secord**. No.

Mr. **Liman**. Who is Mr. Gadd?

Mr. **Secord**. Who is Mr. Gadd?

Mr. **Liman**. Yes.

Mr. **Secord**. I testified yesterday how I came to go to Mr. Gadd.

Mr. **Liman**. He worked for you, too, right?

Mr. **Secord**. Yes.

Mr. **Liman**. And if Gadd testified that you were trying to sell these assets to the CIA——

Mr. **Green**. We don't know what anyone testified to.

Mr. **Liman**. I am asking you, if he testified that you tried to sell these to the CIA, would that be wrong?

Mr. **Secord**. That is probably what he thought. He was in constant touch with Mr. Dutton. He was not in touch with me very often. Very seldom at this time frame. He'd go for months without seeing me.

Mr. **Liman**. And did—was he in touch with you, too?

Mr. **Secord**. Mr. Gadd?

Mr. **Liman**. Yes.

Mr. **Secord**. Infrequently. After Mr. Dutton took over, as I said, I would go for months at a time without talking with Mr. Gadd.

Mr. **Liman**. Now, I want to read to you something from Mr. Gadd's testimony.

> During this time of late April 1986 and later, did General Secord ever tell you what he planned to do with those aircraft—

Meaning the ones you sent down to Central America.

> If and when Congress authorized funds for—U.S. Government funds for the contras?
>
> Answer: At some point in the late spring and early summer of 1986, I was informed that they intended to sell those aircraft to the Central Intelligence Agency. Yes.
>
> *Question*. Who informed you of that?
>
> Answer. General Secord.

Your testimony is that he is also wrong?

Mr. **Secord**. My testimony is I did not intend to sell them to the CIA and I told the director that on two occasions.

Mr. **Liman**. When you told the director that the first time, which was December of 1985, is it a fact that the enterprise then consisted of one Maule aircraft?

Mr. **Secord**. Probably.

Mr. **Liman**. That was one Maule aircraft that had been paid for by Coors' money, 60-odd thousand dollars?

Mr. **Secord**. It was paid for by money. I did not know the source.

Mr. **Liman**. By a donation?

Mr. **Secord**. Yes, sir.

Mr. **Liman**. And you were just starting to build the airstrip?

Mr. SECORD. That is correct.

Mr. LIMAN. And you hadn't bought the other aircraft?

Mr. SECORD. No. But we were on the road.

Mr. LIMAN. So when you told the director that he could take over this enterprise which then consisted of one plane, were you surprised that he then started talking about Iran?

Mr. SECORD. You have got it backwards. I said he started talking about Iran when I talked through the door.

Mr. LIMAN. In any event, did you ever tell Gadd that you wanted to sell these assets to the CIA?

Mr. SECORD. I don't recall telling Mr. Gadd that I wanted to sell the assets to the CIA. Maybe he thought though that is what I wanted to do. I don't remember any conversation of that nature with Mr. Gadd.

The core question was did we ever try to sell these airplanes to the CIA.

Mr. LIMAN. Did you ask Colonel North to assist you in selling these assets to the CIA?

Mr. SECORD. No. But we talked—North and I did talk about whether the costs for these things should be reimbursed by CIA or not, and concluded—my recollection—that the best possible option was to simply transfer it, simply let them take over and walk away. By this timeframe, I wanted out of this operation in the worst possible way. It had dragged on for too long.

It was becoming very dangerous. We couldn't get support. We were short of money. I wanted out of it. That is the important point I would like the committee to understand. That is what was in my mind at that time.

Mr. LIMAN. If you wanted out of it, why didn't you just stop and turn over all the money to the government?

Mr. SECORD. Believe me, I thought about it.

Mr. LIMAN. You did think about it?

Mr. SECORD. More than once about it.

Mr. LIMAN. Did you talk to anyone about it?

Mr. SECORD. I talked to North about it, yes.

Mr. LIMAN. Did you talk to Hakim about it?

Mr. SECORD. Many times.

Mr. LIMAN. Did Hakim ever indicate to you any willingness to let go of this money?

Mr. SECORD. You are going to talk to him soon. Ask him that question. I am not going to presume to put words in his mouth.

Mr. LIMAN. I was only asking him what he said to you, only asking you what he said to you.

Mr. SECORD. No.

I am reminded of another point that might be of importance. The U.S. Government never asked me for the money.

Mr. LIMAN. And as long as—who in the U.S. Government knew you had this kind of money?

Mr. SECORD. Well, Colonel North knew. His boss, Admiral Poindexter knew. I know. I don't think the CIA had an accurate figure on it, but they knew there was money there.

Mr. LIMAN. By the CIA, who do you mean knew were generating these profits?

Mr. SECORD. The CIA knew prices were being charged in excess of the cost. They knew that we had to operate our enterprise. They knew that they weren't funding it. They knew I had to fund it.

Mr. LIMAN. Did they know that the money was being funneled to your Central American operation?

Mr. SECORD. I don't think they did.

Mr. LIMAN. Did they know that the money was being used to buy a ship for another covert activity?

Mr. SECORD. I don't believe they did.

Mr. LIMAN. Did they know that the money was being used for some kind of operation that was employing the DEA agents?

Mr. SECORD. I don't know on that point. They may have known.

Mr. LIMAN. Let's talk a moment about that DEA operation.

Is it a fact that you were told by Colonel North that at the very time that he was working on the arms sales with the hope of getting the hostages through Iran, that he was also working on a project to ransom hostages?

Mr. SECORD. I learned of that only at the very last minute before going to Israel for the McFarlane trip.

Mr. LIMAN. And you were told that by Colonel North?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And the cash that you were giving to Colonel North was cash that was being used by him in connection with this ransom operation?

Mr. SECORD. No. There were several operations over a period of time. That is only one operation.

Mr. LIMAN. But was some of the money being given for that purpose?

Mr. SECORD. Yes.

Mr. LIMAN. And did it occur to you, Mr. Secord, that there might be a counterproductive aspect to being—to asking Iran to get the Hizballah to release the hostages at that time the Hizballah was being told that they could get some cash for releasing them?

Mr. SECORD. I didn't know whether the DEA intended to deal with Hizballah or not. I was not informed of what factions or groups they were dealing with.

The short answer to your question is, no, it did not occur to me at the time that these two clashed. I saw them as two separate tracks.

I grant your point, however, they could well have collided.

Mr. LIMAN. You now see them now that we have talked about it that they do clash?

Mr. SECORD. Yes. But at that time it didn't occur to me.

Mr. LIMAN. Did you ever discuss the use of this money for that ransom project with anyone other than the good Colonel?

Mr. SECORD. Mr. Clines. Mr. Hakim.

Mr. LIMAN. Mr. Clines is someone you brought into the venture? Mr. Hakim is someone you brought into the venture, is that correct?

Mr. SECORD. Right.

Mr. LIMAN. Do either of these gentlemen have clearances by the way?

Mr. SECORD. Security clearances, U.S. Government?

Mr. LIMAN. Yes, sir.

Mr. SECORD. No.

Mr. LIMAN. And your own records show the payment to Colonel North for this project; am I correct?

Mr. SECORD. Yes, sir. Those are my notes which I gave you.

Mr. LIMAN. I don't want to have to go through all of that. We will move this on.

You also testified about the fact that you had a—you or your organization had a disagreement with Mr. Rodriquez, do you recall?

Mr. SECORD. Mr. who, sir?

Mr. LIMAN. Rodriquez?

Mr. SECORD. Yes.

Mr. LIMAN. Isn't it a fact that Rodriquez was saying that these aircraft belonged to the Contras?

Mr. SECORD. That is what was being reported to me by my people.

Mr. LIMAN. And is it a fact that you were taking the position that these aircraft did not belong to the Contras but belonged to Udall?

Mr. SECORD. Correct.

Mr. LIMAN. And these were aircraft that were paid for out of this Swiss fund consisting of contributions and money from the arms sales, et cetera; right?

Mr. SECORD. Correct.

Mr. LIMAN. And you were taking that position with Mr. Rodriquez at the very time that Mr. Dutton was preparing these kinds of documents for selling the operations to the CIA; right?

Mr. SECORD. Right.

Mr. LIMAN. If you look back at the Dutton document—

Mr. GREEN. Do you have the number again?

Mr. LIMAN. Yes. It is exhibit 4. The second option on the last page was to lease the operational control of the assets to the CIA for $311,000 per month plus some additive costs for the use of planes in excess of 50 hours. Do you see that?

Mr. SECORD. What page are you on?

Mr. LIMAN. The last page, option 2, $311,000. See that?

Mr. SECORD. Yes. Right.

Mr. LIMAN. Am I correct, sir, that you computed—look at five pages earlier, the operating costs that your enterprise was having down there at $67,000 a month?

Mr. SECORD. I can't tell from a glance. I would have to look at the figures and analyze them.

Mr. LIMAN. Is that the number that appears there?

Mr. SECORD. That is one of many numbers that appears there.

Mr. LIMAN. Is that the total?

Mr. SECORD. No, it is not. It is under the heading, "Nonrecurring Costs for Operational Support."

Mr. LIMAN. Then you have others on top of it?

Mr. SECORD. Yes, a lot of other numbers on top of it.

Mr. LIMAN. Do you know what they all add up to?

Mr. SECORD. I haven't done the arithmetic.

Mr. LIMAN. Is it under $150,000 if you do that?

Mr. SECORD. Beats me.

Mr. LIMAN. Well, 67 and 60 are 120, and then there is 6, that is 126. There is 1,027, 1,500, 128,500; 3,500, make it 131, 132,000.

Twelve thousand, that brings it up to about 144 and a few other expenses there.

So you were proposing to lease to the CIA an operation that was running about $150,000 a month for 311 even?

Mr. SECORD. I didn't make any such proposal to the CIA. I am not going to comment on a document I haven't seen any part of for a long time. I have to analyze it.

Mr. LIMAN. Again, to the extent that Mr. Dutton says that option was a proposal by you, he is just plane wrong?

Mr. SECORD. No. I am sure I said to him over time that there are many ways this could be handled. They are obviously—in an intellectual exercise you always do this. This document doesn't have any standing. It is a planning drill. What was really done, Mr. Liman?

Mr. LIMAN. Well, in fact, didn't Oliver North try to persuade the director to buy these assets from you?

Mr. SECORD. Not as far as I know. I think Oliver North tried to persuade the director to take them over.

Mr. LIMAN. That is what he told you?

Mr. SECORD. Yes.

Mr. LIMAN. It is your testimony that at the time Hasenfus' plane went down, you still weren't trying to sell these assets to the CIA?

Mr. SECORD. No. As a matter of fact, there had been a interagency meeting just days before in which finally I was informed by North it had been agreed that this was a valuable asset and they had to work out a way—they had to work out a way in which to take it over.

Mr. LIMAN. Did that way include giving money to the enterprise?

Mr. SECORD. Not insofar as I know.

Mr. LIMAN. And North never told you that?

Mr. SECORD. No.

Mr. LIMAN. This was going to be a donation to the CIA so far as you were concerned?

Mr. SECORD. We were going to walk away from it.

Mr. LIMAN. That is your testimony.

Mr. SECORD. That is my testimony.

Mr. LIMAN. Now did you have some munitions that you paid for out of the enterprise?

Mr. SECORD. Yes.

Mr. LIMAN. And this—these were munitions that you sold to the CIA through an intermediary; am I correct?

Mr. SECORD. Yes. At a loss.

Mr. LIMAN. And am I correct that you—when you say at a loss, they were paid for out of the donations and out of the Iranian arms sale?

Mr. SECORD. That is correct.

Mr. LIMAN. You weren't looking at things as profit and loss, were you?

Mr. SECORD. No. We were glad to transfer these things to CIA. I simply pointed out to you it was a very good deal for them.

Mr. LIMAN. And just as you were prepared to give the CIA the aircraft that had been bought from the fund for nothing and the airstrip for nothing, you gave them these munitions for nothing?

Mr. **Secord**. No. We gave them the munitions for—I think the number was $1.2 million. But there were several hundred thousand more than that invested in those munitions and you have those numbers.

Mr. **Liman**. So you chose to sell the munitions to the CIA, correct?

Mr. **Secord**. To be correct, we sold them to a broker that the CIA used, but we were aware they were going to the CIA.

Mr. **Liman**. You also were aware that the broker was putting a markup on, too, right?

Mr. **Secord**. I have no idea what was involved.

Mr. **Liman**. But in any event, you got money at least through the broker from the CIA for these munitions?

Mr. **Secord**. Yes. And it went back into the accounts.

Mr. **Liman**. The money went back into the accounts?

Mr. **Secord**. And it is still there. Right.

Mr. **Liman**. But your testimony is on all the other assets, that you were going to give to the CIA free?

Mr. **Secord**. This one we considered dumping also, by the way. But we found we were lucky enough to find an acceptable buyer.

Mr. **Liman**. Was there any reason why you just couldn't give them free to the CIA the way you say you wanted to give the aircraft?

Mr. **Secord**. We could have done that, I suppose. We wanted to get the money back into the accounts. We needed the money. If we hadn't got those monies back into the accounts, you would now be saying, "Mr. Secord, you had $5 million diverted to the Contras rather than 3.5." The CIA was in the process of taking over the Contras at that time.

We wanted to get the money back where it belongs.

Mr. **Liman**. Was that one of your motivations for selling?

Mr. **Secord**. Yes.

Mr. **Liman**. That you were conscious of the fact that you could be accused of diverting money to the Contras?

Mr. **Secord**. No. Not that I would be accused of it, but I was conscious of the fact we needed money in this enterprise, and we wanted to keep that money as much as possible.

Mr. **Liman**. Well, at that point how much money did you have in the enterprise in your balances?

Mr. **Secord**. Based on the records I reviewed now I would say we probably had about $5 million.

Mr. **Liman**. You wanted——

Mr. **Secord**. That's a guess.

Mr. **Liman**. You wanted to bring it up to $6 million?

Mr. **Secord**. We wanted to bring it up as much as we could.

Mr. **Liman**. If you could have gotten three or four million for the airfield, you would have been happy to take that, too, the airfield and planes right?

Mr. **Secord**. We never considered doing that, but notice that you pose the question: it probably would have been a better idea.

Mr. **Liman**. That was Dutton's idea. Let's move on.

You testified that among the things that you did at Colonel North's request was that you approached an official of a foreign government to ask him to make a contribution on behalf of his government to contras. Do you recall that?

Mr. SECORD. Yes, sir.

Mr. LIMAN. Who was the official you approached?

Mr. GREEN. Can we have authorization to disclose that, Mr. Chairman?

Chairman INOUYE. Mr. Secord, are you presently an employee of the U.S. Government?

Mr. SECORD. No, sir.

Mr. INOUYE. You may proceed and answer.

I declare a short recess. The hearing will stand in recess until 2 o'clock this afternoon.

[Whereupon, at 12 noon, the hearing was recessed, to reconvene at 2 p.m., this same day.]

AFTERNOON SESSION

The Select Committees met, pursuant to recess, at 2 p.m. in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman INOUYE. On the matter which was pending at the time of our recess, the Chair rules as follows: Because of the diplomatically sensitive nature of the question involved and until the committees consult further among themselves, the witness will write on a piece of paper, which we will provide, the name of the country and the official whom he solicited, and this will be held as executive session material until the committees decided otherwise.

The intention of the committee is to make as many of the facts public as possible to the extent consistent with national security interests.

Mr. Secord, will you proceed to write the name of the country involved and the person involved.

Will you place that in the sealed envelope.

Mr. LIMAN. There are cameras facing you.

Can we do it another way?

Chairman INOUYE. I hope the camera persons will cooperate, please. Otherwise, we may be forced to send you out, sir.

I thank you very much.

Mr. Liman.

Mr. LIMAN. Mr. Secord, the official that you spoke to and whose name you wrote is the person you spoke to in the fall of 1984 at the request of Lieutenant Colonel North?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And Lieutenant Colonel North mentioned at some point this had the blessing of Mr. McFarlane?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And is that the same official you spoke to in early 1985?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And you testified that in 1986 you had a meeting with Director Casey, at which time he suggested that you look to another country for funding. Is that the same country?

Mr. SECORD. It is.

Mr. LIMAN. Now, I want to go back to money. Have you ever heard of a company called Tri-American Arms?

Mr. SECORD. Yes.

Mr. LIMAN. Were you a partner in that company?

Mr. SECORD. The company was never formed, but it was discussed that I would be a partner in the company.

Mr. LIMAN. And it was contemplated that you would be a partner?

Mr. SECORD. Yes.

Mr. LIMAN. Do you know whether monies were transferred to Tri-American from the Swiss bank accounts that we have been talking about?

Mr. SECORD. I know that Mr. Hakim transferred some money to this enterprise for the purpose of doing business.

Mr. LIMAN. Do you know, sir, that the amounts that were transferred were $150,000 in May of 1986 and $200,000 in June of 1986?

Mr. SECORD. No, I don't think the $200,000 was transferred. If it was, I don't know of it.

Mr. LIMAN. If I were to show you—and we will mark as the next exhibits two debit invoices from one of the Swiss accounts, Albon Values—would that refresh your recollection?

These are records provided by Mr. Hakim.

[The information was not available at the time of publication.]

I don't want you to read the documents into the record. We are going to wait for Mr. Hakim for that. I'm just asking you whether or not you have a recollection now that the total amount that was transferred was $350,000.

Mr. SECORD. The $150,000 I was aware of. I know nothing about this second piece of paper. You will have to ask Mr. Hakim about that.

Mr. LIMAN. Now, do you know, sir, whether the purpose of your partnership was to invest in a manufacturer of machine guns?

Mr. SECORD. Manufacturer of submachine guns, yes.

Mr. LIMAN. Of submachine guns.

Mr. SECORD. Yes.

Mr. LIMAN. And did that deal go through?

Mr. SECORD. No.

Mr. LIMAN. Was one of the purposes to have that company sell weapons to the Contras?

Mr. SECORD. No.

Mr. LIMAN. And were the monies that were invested monies that came out of the Iranian and contra arms sales?

Mr. SECORD. I don't know. I thought it was part of Hakim's profit distribution.

Mr. LIMAN. Well, if you were to be a partner, what were you putting in?

Mr. SECORD. My management and knowledge, ability to market. There was a third partner who was doing a similar thing.

Mr. LIMAN. And what was his name?

Mr. SECORD. His name is Royer.

Mr. LIMAN. How much were you going to be paying to acquire the manufacturer of submachine guns?

Mr. SECORD. How much were we going to pay?

Mr. LIMAN. Yes, sir.

Mr. **Secord**. We had not finished the negotiations with the owner, but that was about the right amount of money to buy the interest that we wanted.

Mr. **Liman**. Did you ever sign an agreement as part of the partnership for this company?

Mr. **Secord**. No. No, I did not. The deal was never consummated.

Mr. **Liman**. Can you tell me what happened to the money that was sent?

Mr. **Secord**. Well, $60,000 of it was invested in some material, and the remaining monies, minus some legal fees, were returned to STTGI—Stanford Technology Trading Group.

Mr. **Liman**. What, around $80,000 was returned to your company?

Mr. **Secord**. That is a good ball park figure.

Mr. **Liman**. Was that treated as a loan?

Mr. **Secord**. It was a capital investment by Mr. Hakim into our company, and he made several over the years.

Mr. **Liman**. Now, you testified yesterday that it was your view that Colonel North was doing everything he could to implement the Boland amendment.

Do you recall that?

Mr. **Secord**. Yes, sir.

Mr. **Liman**. I want you to take a look again at exhibit 4.

Mr. **Green**. OK, we have it.

Mr. **Liman**. Would you look at the first page.

Mr. **Green**. The index?

Mr. **Liman**. Right after the first page of text, where it says "general." Not "army general," but "general."

Mr. **Secord**. Yes.

Mr. **Liman**. It begins with, "Due to recent changes in operational requirements and increased tasking, the benefactor company hereinafter referred to as B.C. Washington is taking more direct control of Project Hope and its supporting elements."

Will you tell us what Project Hope was?

Mr. **Secord**. This was a project that involved all aspects of the airlift operation that I described earlier.

Mr. **Liman**. And what was B.C. Washington?

Mr. **Secord**. This was just an acronym that Mr. Dutton coined to refer to our office. The problem at the time that we were addressing was one of lack of effectiveness, and reorganization and redirection of the effort was needed.

Mr. **Liman**. And it says, going to the first paragraph that begins with, "B.C. Washington will assume operational control of all assets in support of Project Hope."

That is the airlift, correct?

Mr. **Secord**. OK.

Mr. **Liman**. Can you tell us who the people were who consisted of B.C. Washington?

Mr. **Secord**. It was primarily myself and Robert Dutton.

Mr. **Liman**. Was it not also Oliver North?

Mr. **Secord**. No.

Mr. **Liman**. Mr. Dutton has testified about this document as follows: the first pages of it go back through the wiring diagram which we refer to as the reorganization plan that outlined the new organization that was going to control, direct the operation wherein General Secord and Colonel North would ostensibly not be part of the operation any longer and that a new group known as B.C. Washington, or Benefactor Company Washington, would take over the responsibilities.

> *Question.* Was that in name only?
>
> Answer. That was in name only, and it was—in fact, General Secord and Colonel North remained exactly where they had been in the organization, etc.

Is that the fact?

Mr. SECORD. Yes, that is a fact. That phraseology, however, I would like to clarify, if I may.

What he is talking about is an attempt to cover my continued participation in this operation and to cover any contact that we had with Colonel North.

We were having difficulties with this operation. Things were not going well. A lot of questions were being asked by different people who were critical of the operation. I was as critical as anyone of it.

Therefore, we decided to reorganize, and part of that reorganization was to cover my identity as well as that of Colonel North. Colonel North was never a part of this little headquarters of ours. We consulted with him, as I told you, every step of the way, and we gave him information.

Mr. LIMAN. And if Mr. Dutton said that Colonel North and you were directing this operation, he would be wrong?

Mr. SECORD. I don't think he said that.

Mr. GREEN. I want to object, if I may, Mr. Chairman.

We do not have access to any of this testimony. We have not seen it, and Mr. Liman's device of extracting a few lines and reading it to us and asking us to comment on it, I think, is unfair.

If he wants us to review the entirety of Mr. Dutton's testimony, we will be glad to do so. In isolation like this, I think it is an improper form of interrogation, Mr. Liman.

Mr. LIMAN. I will restate the question.

Did you ever tell Mr. Dutton that Oliver North was going to continue to direct this operation with you?

Mr. SECORD. No. I told him he was going to continue in liaison with us. He was going to continue talking with us, dealing with us, just as we always did.

You will note there is a CL-43 series of messages we addressed yesterday that I think proves the accuracy of my statement, because I rejected some guidance which was phrased even as an order.

Mr. LIMAN. Did you consider the implementation of the Boland amendment for Colonel North to occupy this role?

Mr. SECORD. The Boland amendment does not apply to private efforts. Therefore, I thought that he was acting properly.

Mr. LIMAN. Did you consider it is an implementation of the Boland amendment for Colonel North to funnel the money to your organization?

Mr. SECORD. Private monies, yes, and the Boland amendment, which is an anti-appropriations measure, does not have anything to do with private efforts.

Mr. LIMAN. And did you consider it consistent with the Boland amendment for Colonel North to provide you with the communications devices, the K.L. 43's?

Mr. SECORD. This was a matter of security that was offered to us. I don't know what the reasoning for it was.

Mr. LIMAN. Did you consider it as an implementation of the Boland amendment for Colonel North to fly down to Florida to meet with you and Calero and urge you to start an airlift and to help open up the southern front.

Mr. SECORD. He wasn't spending any appropriated fund, so I didn't see anything wrong with it.

Mr. LIMAN. And the use of the plane was not appropriated funds?

Mr. SECORD. Incidental.

Mr. LIMAN. It was implementation of the Boland Amendment for you to do all of these things?

Mr. SECORD. My comments about implementation of the Boland Amendment were general comments. I believe these men were doing the President's bidding and trying to do the best job they could to live within Boland.

I am on the record on that. That is what I believe.

Mr. LIMAN. Now, you testified that you considered what was happening lawful and that Colonel North considered it lawful, correct?

Mr. SECORD. Yes, sir.

Mr. LIMAN. Is it a fact that Colonel North told you that if the facts ever came out about what he was doing, he would get a pardon?

Mr. SECORD. He joked about that in the same vein that he did in the comment that I made yesterday with respect to the ayatollah.

Mr. LIMAN. What did you think in your own mind that he was doing wrong that would lead him to even think about a part——

Mr. SECORD. Nothing other than the fact when that came up I laughed at him and said that's ridiculous. What are you talking about? We have discussed repeatedly no laws are being broken. We are doing everything we can to live within the law, so it is a non sequitur.

Mr. SECORD. I don't remember, Mr. Liman. I don't remember every conversation I ever had with Oliver North. I can't tell you.

Mr. LIMAN. How often did you speak to Oliver North in connection with the operations that you were conditioning for the contras? Once a day?

Mr. SECORD. No. Less than that. Less than that.

Mr. LIMAN. Three or four times a week?

Mr. SECORD. On the average, I would say that it is accurate. It is a wild average.

Mr. LIMAN. Could you have conducted these operations without Oliver North.

Mr. SECORD. We could have, but it would not have been nearly as effective.

Mr. LIMAN. Now, you, in your opening statement criticized the Attorney General for going public as quickly as he did with the diversion, am I correct?

Mr. SECORD. Yes, Mr. Liman.

Mr. LIMAN. And you thought that he should have spoken to you and gotten some of the facts before he went public?

Mr. SECORD. Yes, sir.

Mr. LIMAN. After he went public, you became angry and decided that you wouldn't provide him with the facts. Is that fair to say?

Mr. SECORD. After the stunning announcement the 25th of November, I consulted immediately with my counsel, I think I testified, and I, from that point on, relied entirely on advice of counsel.

Mr. LIMAN. Now, isn't it a fact that you directed your secretary to shred documents.

Mr. SECORD. We discussed that yesterday.

Mr. LIMAN. Did you or didn't you direct your secretary?

Mr. SECORD. Yes, sir.

Mr. LIMAN. Did you testify yesterday that you directed your secretary to shred documents because you were concerned that the press or others would get at them?

Mr. SECORD. Right.

Mr. LIMAN. Who was it you thought would break into your office?

Mr. SECORD. Probably the same people who were fabricating the telephone numbers in El Salvador. I don't know the work. You know a lot of break-ins different places over a period of time associated with these matters. So it was a concern of mine.

Mr. LIMAN. These were documents that you had accumulated over a period of time?

Mr. SECORD. Yes. And they were no longer useful.

Mr. LIMAN. And over that period of time you weren't concerned about the break-ins to the point that you went and shredded all these documents?

Mr. SECORD. No. There were only a few shredded, and the telephone log was called to my attention by Colonel Dutton. He said, "Boss, do we really need these old things?" I said, "No, get rid of them."

Mr. LIMAN. Didn't you shred documents that reflected telexes and messages related to the transfer of money?

Mr. SECORD. Relating to money?

Mr. LIMAN. Yes, sir.

Mr. SECORD. The telexes that I recall that we shredded were routine telex traffic with the Defex Portugal, as I testified yesterday.

Mr. LIMAN. Do you recall that the telexes contained references to the movement of money? Yes or no?

Mr. SECORD. I don't recall, but it is entirely likely that they did.

Mr. LIMAN. Did you review the documents before they were shredded?

Mr. SECORD. I glanced at them.

Mr. LIMAN. Did you ask your secretary to provide you with the files?

Mr. SECORD. I asked my secretary to go through the files. She is the one who selected them?

Mr. LIMAN. And then you looked at the documents and decided which ones were to be shredded and which ones were not?

Mr. SECORD. I think I looked at the subject headings and said we don't need these. Get rid of them.

Mr. LIMAN. And do you have any copies of the documents that were shredded?

Mr. SECORD. No.

Mr. LIMAN. So that neither we nor the Attorney General have any way of knowing what was in those documents other than your oral testimony?

Mr. SECORD. I gave you thousands of documents, Mr. Liman. All relevant documents.

Mr. LIMAN. You have given me everything other than what you have shredded. Is that what you are saying?

Mr. SECORD. I said what I said.

Mr. LIMAN. Well, you didn't give me copies of the documents you shredded, did you?

Mr. SECORD. Obviously I couldn't.

Mr. LIMAN. Now, were you not in the security business?

Mr. SECORD. We were in the management of security businesses, yes, but we did not expend the funds necessary to make an office like mine secure and that is why I knew it wasn't secure.

Mr. LIMAN. And being in the management of security, management of security systems, you felt that the only way you could protect records was to shred them?

Mr. SECORD. If I don't need them, Mr. Liman, I shred them. I have shredded tens of thousands of documents during my career. When you don't need these documents you get rid of them.

Mr. LIMAN. At the time you shredded the other documents were there investigations pending relating to you?

Mr. SECORD. No, and there were none pending at this time, either.

Mr. LIMAN. When do you say you gave the instructions to Ms. Napier to shred them?

Mr. SECORD. My recollection is it was in early November, thereabouts.

Mr. LIMAN. Was there an investigation at that time of Southern Air?

Mr. SECORD. The FBI, I think, was trying to conduct one.

Mr. LIMAN. Had you, in fact, telephoned Colonel North to ask him to halt that investigation?

Mr. SECORD. I think I testified to that fact, yes.

Mr. LIMAN. And was it after that investigation commenced that you shredded the documents?

Mr. SECORD. I don't remember. It wasn't a triggering event.

This had no relation.

Mr. LIMAN. Are you certain that you didn't ask Ms. Napier to shred those documents after the Attorney General made his speech?

Mr. SECORD. Yes.

Mr. LIMAN. Now, you testified—incidentally, did you speak to Ms. Napier after she testified before our committee about this?

Mr. SECORD. I did not. I was assiduous in not asking one word about it.

Mr. LIMAN. Did anyone tell you that Ms. Napier had told the House Committee and the Senate Committee that she had shredded documents at your request?

Mr. GREEN. Restate that question again, please.

Mr. LIMAN. Did anyone tell you that Ms. Napier had told the House Committee and the Senate Committee that at your direction she had shredded documents?

Mr. SECORD. There are attorney-client communications involved here, so I can't discuss it.

Mr. LIMAN. Are you aware, sir, that Ms. Napier originally testified that she shredded the documents in December?

Mr. SECORD. Same answer.

Mr. LIMAN. Did you make any effort to persuade her to date it back to November?

Mr. SECORD. Never talked to her one word about it; not one word.

Mr. LIMAN. Whoever was communicating to you about what Ms. Napier was saying, did he communicate to you that she had changed her story?

Mr. SECORD. The same answer.

Mr. LIMAN. And the same answer being attorney-client privilege?

Mr. SECORD. Yes, sir.

Mr. LIMAN. Mr. Secord, you testified that you saw part of the finding in the White House situation room. Am I correct?

Mr. SECORD. That is correct. I had to read it, the part that I could read I had to read from afar. They never handed me a copy of it to read.

Mr. LIMAN. And you read the findings that said that third parties could be involved in the operation with Iran?

Mr. SECORD. I don't remember if I read it or if they were discussing it, that language at the time. I have only learned recently that there were changes in that finding over time.

Mr. LIMAN. But you testified yesterday that you were the third party.

Mr. SECORD. I said that I learned of my role as the third party, yes.

Mr. LIMAN. Now, was there anything in that finding communicated to you that authorized you to use any of the proceeds of the sales to Iran to assist the contras?

Mr. SECORD. No, sir.

Mr. LIMAN. Was there anything communicated to you in that finding that authorized you to use any of the proceeds of the sale to purchase a ship?

Mr. SECORD. No, sir, nothing to the contrary either.

Mr. LIMAN. Was there anything in that finding as communicated to you that authorized you to use proceeds to purchase radios for a Caribbean nation?

Mr. SECORD. No, sir.

Mr. LIMAN. Was there anything communicated to you about that finding that enabled you or authorized you to keep proceeds in Mr. Channell's account?

Mr. SECORD. No, sir. Nothing to the contrary.

Mr. LIMAN. You understand, sir, that the purpose of the finding was to authorize the sale by the United States to Iran of arms through you as an intermediary?

Mr. SECORD. As a commercial cutout, as I have testified.

Mr. LIMAN. You did not understand the purpose of the finding was to provide support for the Contras?

Mr. SECORD. No.

Mr. LIMAN. Or to enable anyone to get rich?

Mr. SECORD. No.

Mr. LIMAN. Now, you said that one of the reasons that you waived your interest in these Swiss accounts was that you wanted to return to government some day?

Mr. SECORD. Correct.

Mr. LIMAN. And was the position that you hoped to return to as head of covert operations of the CIA?

Mr. SECORD. That was my ambition at one time, yes.

Mr. LIMAN. I am not asking you about legalities here or not. I want to bring out some facts. You felt that the United States' ability to conduct covert operations was impaired; am I correct?

Mr. SECORD. Yes, sir.

Mr. LIMAN. And you felt that you could make a contribution in that area?

Mr. SECORD. Correct.

Mr. LIMAN. And you felt indeed that you could do a better job than the people who were in charge of covert operations; is that correct?

Mr. SECORD. I thought so.

Mr. LIMAN. And is it fair to say then at the request of Colonel North and Admiral Poindexter, the National Security Adviser, you went out and created your own covert operation organization?

Mr. SECORD. For the express purpose of carrying out the projects we have been talking about, yes.

Mr. LIMAN. And you had your own planes for that purpose?

Mr. SECORD. True.

Mr. LIMAN. Correct?

Mr. SECORD. True.

Mr. LIMAN. You had your own employees for that purpose?

Mr. SECORD. Yes, sir.

Mr. LIMAN. They were in deep cover, correct?

Mr. SECORD. Not too deep.

Mr. LIMAN. Not too deep now, but you know how long it took to find Olmsted?

Mr. SECORD. Mr. Olmsted, we did a better job on, I guess.

Mr. LIMAN. But you had people with code names?

Mr. SECORD. Yes, sir. The answer to your question, of course, is yes.

Mr. LIMAN. You tried to keep them in cover?

Mr. SECORD. Yes, sir.

Mr. LIMAN. You had NSA communications equipment?

Mr. SECORD. True.

Mr. LIMAN. You had a mission or missions; correct?

Mr. SECORD. Correct.

Mr. LIMAN. You had secret accounts?

Mr. SECORD. Correct.

Mr. LIMAN. You had secret sources for funding of those accounts?

Mr. SECORD. Agreed.

Mr. LIMAN. And all of the funds were generated for you either by the assets of the United States that were entrusted to you such as the weapons, or by the sales to the Contras where Mr. North or Colonel North introduced you to Calero, or the contributions he arranged to go into that account; is that fair?

Mr. **Secord**. That is fair.

Mr. **Liman**. I have no further questions, Mr. Chairman.

Chairman **Inouye**. Thank you, Mr. Liman.

May we take a two-minute recess, and may I see the two members of the House and the two members of the Senate?

[Recess.]

Chairman **Inouye**. The Chair now recognizes the distinguished Congressman, Louis Stokes.

Mr. **Stokes**. Thank you, Mr. Chairman.

Mr. Secord, during the week of November 7, when you were called to the White House to review chronologies that were being prepared for the Congress, can you tell us who was present at that time?

Mr. **Secord**. Yes, sir, but I think it was the week of November 17.

Mr. **Stokes**. All right.

Mr. **Secord**. Yes, sir. Besides myself, there were present Oliver North, at least one of his assistants, Colonel Earl; an NSC staff member, Howard Teicher; CIA Officer George Cave; and I think that was all.

There were two times that I went down there. I think it was——

Mr. **Stokes**. We are talking now about the first time?

Mr. **Secord**. The first time, and I believe it was the same group the second time.

Mr. **Stokes**. Was Admiral Poindexter present?

Mr. **Secord**. No, sir.

Mr. **Stokes**. On either occasion?

Mr. **Secord**. No, sir.

Mr. **Stokes**. I see. When you reviewed the document on the first day, the facts in the chronology were correct?

Mr. **Secord**. I believed them to be correct.

Mr. **Stokes**. When you returned the second day, when you read up to page 5, you determined that the chronology from the previous day had been changed; is that correct?

Mr. **Secord**. Yes, it had been changed, substantially.

Mr. **Stokes**. And you said to them this is not true, and you used an expletive?

Mr. **Secord**. That is correct.

Mr. **Stokes**. And then you were told that Mr. McFarlane had written that part of the document, weren't you?

Mr. **Secord**. Yes, sir.

Mr. **Stokes**. That is when you said, well, you guys can have it, or something of the sort, and you walked away?

Mr. **Secord**. That is right, sir.

Mr. **Stokes**. Your reason for doing that was because you felt that what was written there was not an honest representation of the facts; isn't that true?

Mr. **Secord**. Basically that was true. I didn't want to be involved any further.

Mr. **Stokes**. And even when Mr. Nields yesterday ask you about the second document on another page, and he went into certain facts that were recited there, you said that those were misrepresentative of the facts; is that right?

Mr. **Secord**. That is correct, sir.

Mr. STOKES. You knew that that chronology they were preparing was being prepared for the U.S. Congress, did you not?

Mr. SECORD. I knew it was being prepared for Mr. Casey to use before the U.S. Congress.

Mr. STOKES. All right. Now, do you know what Mr. North's role was in the preparation of the chronology?

Mr. SECORD. Well, he was, I would say, the chief staff officer involved in the preparation of the various drafts.

Mr. STOKES. Now in your opening statement, you described both Admiral Poindexter and Colonel North as being honest and dedicated men?

Mr. SECORD. Yes, sir.

Mr. STOKES. Now the acts you have just testified to are not representative of an honest man, are they?

Mr. SECORD. Well, sir, I don't think that Mr. North made the change. He told me that these had been written by Mr. McFarlane, so Mr. McFarlane, who is the principal involved in the information being dealt with there, was writing the text himself.

Mr. STOKES. Didn't you just say he was the chief architect?

Mr. SECORD. I said that he was the chief staff officer, sir, in charge of preparation of all the long chronologies that were being put together, but his boss changed apparently two parts of it.

Mr. STOKES. Are you aware, sir, that Admiral Poindexter used the same chronology when he brief the House Intelligence Committee on November 21st, in the White House situation room?

Mr. SECORD. No, sir. As I have told the staff here, I never knew whether this particular piece of paper was ever used by the director or not. I didn't know.

Mr. STOKES. But if it was used, the same document was used, we were briefed on deceptive testimony, weren't we?

Mr. SECORD. According to my understanding of the facts, that is correct.

Mr. STOKES. In fact, what it amounts to, doesn't it, is a real cover up of the facts?

Mr. SECORD. If they or he gave you that information, he may have believed it to be correct because Mr. McFarlane had written it. But it could well be a cover up as well.

Mr. STOKES. If I told you that in August of 1986 Colonel North told the House Intelligence Committee that he had nothing to do with raising funds for the Contras or with activities to arm or support them, that statement would not be true, would it?

Mr. SECORD. It is hard for me to comment in too general a way. It sounds like it is inaccurate. I would like to see the testimony and see the context of it.

Mr. STOKES. If I told you that Admiral Poindexter wrote a letter to the House Intelligence Committee at that time to confirm the same story, that would not be true, would it?

Mr. SECORD. The exact same answer, sir.

Mr. STOKES. General, in your opening remarks, you told us that Mr. Meese had betrayed you, abandoned you, left you to defend yourselves. In light of the fact that you have testified here that you were a person independent of the government and a civilian in your own enterprise, tell us what obligation the Attorney General of the United States had to support or defend you or your operation?

Mr. SECORD. It was my belief that the President of the United States was well aware of what we were doing, Congressman Stokes. As a consequence, the Attorney General it seemed to me had a responsibility to get more than just an incidental dose of the facts before going public with such a startling story.

He could have at least accorded us the opportunity to place ourselves. I mean, we were totally stunned and shocked. That is why all of us felt betrayed.

Mr. STOKES. Was it your position, sir, that had you been given the opportunity to provide him with the facts that that would have taken care of the matter, that no one had done anything wrong, and that the Attorney General would have understood that there was nothing wrong at all with this operation?

Mr. SECORD. I don't know what he would have understood. We were prepared to divulge all the information that I held and take it from there. What I was pleading for was to slow this thing down and let's get it on track and, as I testified, I think, on a more rational basis.

It could well have continued with a full-blown investigation. I have no idea.

Mr. STOKES. I see. Didn't you tell us also you wanted to talk to the President of the United States?

Mr. SECORD. Yes, sir.

Mr. STOKES. And didn't you tell us you even went to the trouble of preparing a speech for the President of the United States?

Mr. SECORD. Yes, sir, I did.

Mr. STOKES. Tell us what you did with the speech.

Mr. SECORD. I sent it to Admiral Poindexter via Colonel North's office on the KL-43.

Mr. STOKES. In the speech you wanted the President of the United States to deliver, tell us what you said that he should say to the American people.

Mr. SECORD. My recollection of the main points were that he should come up front and tell the American people and, of course, the Congress by this time, that a covert operation had been underway for some months, tick off what the objectives were, point out that he was the responsible officer in this Government for the conduct of foreign affairs and for national security, and that he had hard decisions to make.

As Harry Truman once said, the buck stops here; that he had made some decisions; there had been some successes and great disappointments; to describe briefly some of the facts—not all of the facts; and then to point out that we were going to continue to try to establish relations with Iran and to get our hostages back.

It is my recollection that is the thrust of the short speech which I wrote.

Mr. STOKES. Is it your opinion that the President has not done that?

Mr. SECORD. Well, he didn't do that at that time. The story has come out in bits and pieces over time. My point, though, at the time was it seemed to me that a strong and firm stand by the President would be the best defense that we had.

Obviously there was going to be great criticism of this operation.

Mr. STOKES. Do you think that would have stopped if there had been no further investigation of it?

Mr. SECORD. No. I think Congress would have done some inquiries, but I doubt we would have had the spectacle of an independent council at this time.

Mr. STOKES. Well, in light of the fact that within the last ten days two people have pled guilty to criminal activity in conjunction with the Contras, wouldn't that suggest something to you other than what you are saying here?

Mr. SECORD. It was not related to us at all. I don't even know those people, sir. Never met them.

Mr. STOKES. Is Lake Resources, Inc. your account?

Mr. SECORD. Yes, sir.

Mr. STOKES. Are you aware of the fact that both Channell and Miller funneled money into Lake Resource's account?

Mr. SECORD. I was not aware of their names. I was aware of the IBC name and another company name.

Mr. STOKES. Just as a final question on this particular point, could the Attorney General in any way betray you if you were involved in a private operation?

Mr. SECORD. I believe so, sir. As I stated, because we were in support of a U.S. Government covert operation, he did not have the facts and he rushed to judgment.

Mr. STOKES. Mr. Secord, you told us as a private citizen you were in charge of the commercial cutout used in the Iran operation. The Government sold you the missiles, or the spare parts, and then you sold them to Iran. Once they were sold to you, they were no longer the property of the U.S. Government; is that correct?

Mr. SECORD. That is correct.

Mr. STOKES. Are you also saying to us that at that point the U.S. Government no longer had the ability to be able to order you to conduct this covert operation in any way they wanted to conduct it?

Mr. SECORD. Well, I think they had great faith that I would follow the directions that were given, and I did, of course.

Mr. STOKES. Well, if we accept this version, aren't we, in effect, accepting the fact that the U.S. Government contracted out its foreign policy to you, subject to you carrying out their best wishes?

Mr. SECORD. I don't think they viewed it that way, sir. I think that they viewed me as a logistics and commercial—logistics operator and commercial go-between, and certainly didn't view me as being a foreign policy negotiator or anything like that.

Mr. STOKES. A few moments ago you were asked by Mr. Liman about your operation, which to a large degree parallels the CIA operation, that is, their Reserve for Contingencies. You operated your own fund, you bought ships, airplanes, things of that sort.

That obviously was for the purpose of circumventing the Boland amendment; is that correct?

Mr. SECORD. I didn't see it that way.

Mr. STOKES. Well, under the Boland amendment all agencies, all individuals in our Government were prohibited from utilizing any appropriated funds for use of the Contras. You understood that?

Mr. SECORD. Yes, sir.

Mr. **Stokes**. Under your operation private funds, non-appropriated funds, could be used for any purpose you saw fit and that included for the use of the Contras?

Mr. **Secord**. Well, I felt a responsibility. I knew why the funds were donated. I felt a responsibility to make sure they got to the Contra project, and they did.

Mr. **Stokes**. Doesn't it look to you like we have two governments? There is one Government run by the United States which Mr. Reagan heads where you cannot utilize appropriated funds for the purposes we have already enunciated, and this other government run by you, and you can utilize these funds for whatever purposes you deem necessary, though they be contrary to the use for which appropriated funds can be put?

Mr. **Secord**. I am not sure what answer you are looking for.

Mr. **Stokes**. Well ——

Mr. **Secord**. I understand what you are saying, but I am—I didn't see it that way. I didn't see it that way. The President has certain rights in the foreign policy area. I never saw myself as being a foreign policy operative. I believe that the funds that we had were private funds and could be sent to the Contra project, which project we believed deeply in, and we did that.

Mr. **Stokes**. Is it your view having been a general, having performed in government as you have, that this fits within the constitutional framework of our government?

Mr. **Secord**. I did, sir.

Mr. **Stokes**. You see nothing wrong with those operations?

Mr. **Secord**. I did not see anything wrong with it then.

Mr. **Stokes**. Did Colonel North's salaries come from appropriated funds?

Mr. **Secord**. I am sure it did.

Mr. **Stokes**. How about the salary of Ambassador Tambs?

Mr. **Secord**. Likewise, sir.

Mr. **Stokes**. How about Colonel Steele?

Mr. **Secord**. In fact. All U.S. Government appropriated funds.

Mr. **Stokes**. How about the airplane pilots who flew Mr. North around the world to the various meetings he had with you and others?

Mr. **Secord**. To the extent they were government pilots, of course they were paid the same way.

Mr. **Stokes**. Then how do you square this fact with the fact that you say no appropriated funds were used in any manner in conjunction with your operation?

Mr. **Secord**. It never even occurred to me that someone would construe normal governmental salaries as being attached by Boland.

Mr. **Stokes**. Well, when the Boland amendment passed on the floor of the House, the author of the amendment, Mr. Boland, stated on the floor that it would include salaries. Were you aware of that?

Mr. **Secord**. No. I didn't have the legislative history, sir. I can tell you, sir, that I was aware that Boland was a legislative compromise. I can tell you that I have heard from a distinguished counsel, the chief counsel for the Senate Committee, that Boland is a piece of swiss cheese; that Boland is an act which, if you had the I.Q. of a genius, you could not trace its meandering.

I think there was considerable confusion and misunderstanding about the intentions of Boland.

Mr. STOKES. Well, this morning when you testified under examination by Mr. Liman, do you recall your statement to him that the purpose of this operation was to get around Congress.

Mr. SECORD. I don't recall the context. There were so many questions. I am not sure exactly which question you are referring to.

Mr. STOKES. Well——

Mr. SECORD. One of the purposes of our Contra project was to get around Congress.

Mr. STOKES. Earlier this morning, in one of his questions, when he talked about the operation and the purpose for which you—how you fit into the operation, as a cutout person, you stated to him, I believe—you can correct me if I am wrong—that the purpose of that set up was to get around Congress.

Mr. SECORD. If I said that, I misspoke. I don't recall that context at all. The purpose of the operation was to conduct a project which was legal under Boland, as far as we could see.

Mr. STOKES. The men who worked for you such as Dutton and Gadd, what did you tell them about your operation? Did you tell them that the U.S. Government was behind your operation?

Mr. SECORD. No. They knew the Government was not. They knew it was private.

Mr. STOKES. They knew the Government was not behind your operation?

Mr. SECORD. They knew the Government could not support us materially because of Boland.

Mr. STOKES. I see. Did you get some help from Government officials?

Mr. SECORD. Yes, sir. I testified to the kind of help we got.

Mr. STOKES. You told us about Ambassador Tambs and what he did for you?

Mr. SECORD. Yes, sir.

Mr. STOKES. Tell us again what he did for you?

Mr. SECORD. I have never spoken directly to Ambassador Tambs, so my information comes to me through people who talked with him. He gave us guidance and he was a moral supporter of our plan to construct, to acquire and construct the airfield in Costa Rica and I am sure that he was also a supporter of our efforts to supply the southern troops.

Mr. STOKES. You also told us a senior CIA field officer in Costa Rica provided valuable intelligence and communications support for you, didn't he?

Mr. SECORD. Yes, sir he did.

Mr. STOKES. Was it valuable support?

Mr. SECORD. We could not have done without it.

Mr. STOKES. How about the senior CIA field officer in Honduras?

Mr. SECORD. That was different because I testified yesterday he was able to—or one of his people was able to discuss certain problems we had of coordination with the FDN people.

Mr. STOKES. The bottom line is that even though you represented that the U.S. *Government could not* be *involved* in this operation, the fact is U.S. Government officials were involved, weren't they?

Mr. SECORD. They were, but I don't believe they were spending, materially at least, appropriated funds.

Mr. STOKES. Well, these officers we are talking about are salaried employees of the U.S. Government, aren't they?

Mr. SECORD. Yes, sir.

Mr. STOKES. Without their aid and assistance, you could not have accomplished this mission; is that true?

Mr. SECORD. Their aid and assistance was invaluable. It would have been very difficult to accomplish the mission.

Mr. STOKES. Thank you.

Thank you, Mr. Chairman.

Mr. RUDMAN [presiding]. The committee will now turn to Senator Boren.

The Chairman indicated there would be alternating between House and Senate member.

Mr. BOREN. Thank you, Mr. Chairman.

Mr. Secord, I have listened with great interest as you described some of your own feelings about the foreign policy of the United States, as you have indicated your perceptions about what is going on in Central America. And also with interest as you made some of the decisions in the process of this attempt to open new communications with those in Iran.

I gather that you became disillusioned along the way with Mr. Ghorbanifar as the main channel into Iran; is that correct?

Mr. SECORD. Yes, Senator.

Mr. BOREN. What did you do about it after you became disillusioned and you felt that it simply was not going to work out to open communications with Iran through Mr. Ghorbanifar and his associates?

Mr. SECORD. Well, briefly, sir, shortly after the failed mission to Tehran, which took place the end of May, 1986, I discussed this issue with Mr. Hakim and I also notified Colonel North that we were going to actively search for a second channel to the elements of the Iranian government we wanted to deal with.

This had been decided as a goal, as I understood it, at a meeting two months before, but I didn't see any progress being made.

Mr. BOREN. So you made the decision and you took the action. Really, you took the position of opening the second channel.

Mr. SECORD. That is correct, sir.

Mr. BOREN. Did you discuss this with the Secretary of State?

Mr. SECORD. No, sir, only with Colonel North.

Mr. BOREN. You took the action yourself, did you not?

Mr. SECORD. That is correct.

Mr. BOREN. Do you think it is strange for a private citizen—did you hold any position with the government at this time, any official position?

Mr. SECORD. No, sir.

Mr. BOREN. Do you think it is strange for a private citizen to be taking an action of such importance for the foreign policy of the United States as purporting to represent this country in the opening of communications with an element in the government of a foreign power?

Mr. SECORD. It is very strange, sir. I looked for, as hard as I could, a better channel. The one we had was corrupt, and when I found what I thought was the right channel, I turned this over to the government and they vetted it and eventually agreed with us.

Mr. BOREN. Was this discussed with the President of the United States as to whether or not another second channel should be opened?

Mr. SECORD. I believe it was.

Mr. BOREN. But you really took the action yourself before any discussion with the President, the Secretary of State, or anyone else?

Mr. SECORD. No, sir. I didn't open the second channel. I was searching for a second channel.

Mr. BOREN. So you see nothing strange at all in terms of the way we make foreign policy in this country for a person who is purely a private citizen with no official Government capacity to be making the kinds of decisions and deciding about the identity of people within the Government, some of whom have relationships to very high Government officials in the Government of Iran.

This is a very revolutionary change. You yourself talked about one meeting being the first meeting between any Iranian officials and American officials in a long time. You don't see anything strange about you as a private citizen negotiating in this way?

Mr. SECORD. I think it is very strange, very unusual.

Mr. BOREN. Do you think it is appropriate? We are in the bicentennial year of the Constitution. Do you think it is appropriate that important foreign policy decisions of this country should be made by Mr. Richard Secord, private citizen, instead of by the Congress of the United States, the Secretary of State, and the President of the United States?

Mr. SECORD. Looking back at it, I think that you could make that criticism very easily, but I must tell you, sir, that I was doing the best I could under the circumstances, and I thought I was carrying out the President's policy, and I was not trying to usurp anybody's authority. And I did not.

When I found this second channel, I turned it over to the United States for their vetting, and then, in other words, I was trying to do a service, to trying to find a channel.

Mr. BOREN. There was one meeting with the second channel in which a discussion was undertaken about the creation of an informal communications panel, three from Iran and three from the United States; is that correct?

Mr. SECORD. Yes, but that was in the White House.

Mr. BOREN. Were you there?

Mr. SECORD. I was there.

Mr. BOREN. Who else was present on the American side?

Mr. SECORD. Colonel North and George Cave from CIA.

Mr. BOREN. The three of you were there?

Mr. SECORD. Yes, sir.

Mr. BOREN. When it came time to name the three Americans who were going to represent the United States and the interests of this country on this informal panel, who were the three people that were named during the course of that meeting?

Mr. SECORD. North named—to the second channel people, as I recall, he said that the only valid communication—these people were concerned about valid communications and who they were dealing with. They should consider the only valid communication would be one they received from him, from Mr. Cave, or from me.

That is my recollection.

Mr. BOREN. And so, this group was appointed.

I understand on the Iranian side they named some fairly high ranking people that were to have communication.

Mr. SECORD. They had a couple of fairly high ranking people, but the group never met.

Mr. BOREN. The group never met but the appointments were announced in this negotiating session.

Did the President of the United States sign an order appointing Colonel North, yourself, as a private citizen, and Mr. Cave to represent officially the Government of the United States in these talks?

Mr. SECORD. I didn't see that I was representing the United States. He simply said that they should, because they knew us——

Mr. BOREN. Did the President sign any such order?

Mr. SECORD. No, sir, the President did not.

Mr. BOREN. Was the President aware, to your knowledge, such appointment was being made?

Mr. SECORD. I was told that Mr. Poindexter and the President were being completely informed of all substantive matters.

Mr. BOREN. Well, do you know whether or not the President of the United States knew specifically about the appointment of these three individuals to represent our country in opening this channel of communication with the three that were named on the Iranian side?

Mr. SECORD. I do not know and I do not agree that there were three people named to represent the United States.

Mr. BOREN. Well, you can construe it any way you want. I guess we can all interpret it.

Now, I understand we were asked to stop the Central American airlift. There were problems in El Salvador, as you went into in the first day of testimony; is that right?

Mr. SECORD. I was asked——

Mr. BOREN. You were asked to stop using the banks of operation, you were asked to temporarily suspend the airlift operations, I believe you told us.

Mr. SECORD. Yes. There were messages on that.

Mr. BOREN. From whom did those messages come? Did they come from Colonel North?

Mr. SECORD. I believe they originated with him but they came from his assistant.

Mr. BOREN. So they came from people from the National Security Council.

Mr. SECORD. Yes, sir.

Mr. BOREN. Colonel North or his assistant?

Mr. SECORD. Yes, sir.

Mr. BOREN. As I understand, you rejected that request and felt very strongly that it would be wrong for you to give up that base of operations at that time?

Mr. SECORD. That is correct.

Mr. BOREN. So you continued that?

Mr. SECORD. I thought that they were misinformed and the problem was solved.

Mr. BOREN. They were misinformed. So, in other words, again we have Mr. Richard Secord, private citizen, substituting his own personal judgment on the conduct of an operation for the aid of people that we were trying to help in this country, in fact, in coordination with the National Security Council, rejecting the request from the National Security Council because Mr. Richard Secord—private citizen, no appointment from the President—felt that was the wrong thing to do; is that correct?

Mr. SECORD. That is correct, and I think the results were the correct results.

Mr. BOREN. Mr. Secord, again I go back to this being the bicentennial year of the Constitution. Does it not disturb you as an American, setting aside your own great confidence in yourself, which has been clearly expressed to us—you obviously have more confidence than you have in the CIA in terms of you said you could not run their covert operations better than they, you have more confidence in your legal judgment than in the judgment of the Attorney General whom you have roundly condemned for making public the diversion of funds—you seem to have more confidence in yourself than you do in even the President's own staff because you drafted a speech to give to Colonel North for the President of the United States to read to explain this. You put confidence in yourself in terms of opening the new channels of communications.

Do you think that it is appropriate for private American citizens without any position of authority in this country and not accountable in any way to the Congress of the United States to be exercising the making of foreign policy decisions of this kind with funds generated from the sale of American taxpayers' property, the money generated from the sale of American taxpayers' property, to the Iranians?

Now, is it right for you, as a private individual, to use American taxpayers' money to make these kinds of decisions, even when the National Security Council, albeit a shockingly low level at the National Security Council, is telling you not to continue?

Mr. SECORD. I find it difficult to respond to that string of assertions.

Mr. BOREN. I can understand why you would find it difficult to respond, because concerning—have you read the Constitution of the United States, Mr. Secord?

Mr. SECORD. Yes, Senator Boren.

Mr. BOREN. Do you believe in it?

Mr. SECORD. Of course. I have sworn to uphold it and I have fought for it quite a few times.

Mr. BOREN. I understand you have fought for it. No one takes anything away from that.

But does it not trouble you? Did you not wake up some mornings and think, how did I, as a private individual, start exercising all this responsibility to make foreign policy of the United States of America in lieu of the Congress, the Secretary of State, the President of the United States, members of the National Security Council? Did you not have even a moment of humility about your judgment in substituting yourself for the constitutional process of this country?

Mr. SECORD. I don't agree with what you are saying about what I did. I thought I was doing the right things at the time, but I can tell you I was troubled all along the way, troubled all along the way.

Mr. BOREN. You were troubled by it?

Mr. SECORD. Yes, sir.

Mr. BOREN. That reassures me.

Now, you have a strategic grasp of what was going on in Central America because you were making those important decisions. How often have you been to Central America?

Mr. SECORD. I beg your pardon, sir?

Mr. BOREN. How often have you physically been to Central America?

Mr. SECORD. As I think I've testified, I never went to Central America except for one brief trip in April of last year.

Mr. BOREN. April of last year. And where in Central America did you go in April of last year?

Mr. SECORD. El Salvador.

Mr. BOREN. So you went to El Salvador. How long did you stay and what day was that in April? Do you recall?

Mr. SECORD. I don't have the date, but it is in April, and it was for less than one day.

Mr. BOREN. Less than one day. How long were you actually on the ground or flying over El Salvador? I understand you took a flight from one airstrip to another and then you came back to the original destination and flew out; is that correct?

Mr. SECORD. Yes, sir.

Mr. BOREN. So how long did all of that take?

Mr. SECORD. Again I'm guessing, but I would say six hours.

Mr. BOREN. Six hours. So you have been in Central America for six hours, Mr. Secord, and you, a private citizen, are substituting your judgment for that of the National Security Council, the Bureau of Central and Latin American Affairs of the State Department, people that have studied this for years, lived in the region. But it did worry you that you were doing that?

Mr. SECORD. I was not substituting my judgment for theirs. I was trying to run a very small operation to do what I thought was an important job.

Mr. BOREN. Now, let me ask you about profit motive.

You have said that in all of this you had no profit motive and that you renounced any profits that you might make.

Isn't it true, though, in terms of your conversation with our staff when you were being questioned that you commented that while you and Mr. Hakim did not expect to—or at least you did not expect to make or desire to make a profit out of the current operation—that you felt that if you could open the door to improve relationships between the United States and Iran, given the fact you had previously represented this government in Iran when you were an official of this government and you had particularly dealt with the Shah and his government in the arms field—Mr. Hakim was involved in the armaments field during that same period.

Is it not true that you told our staff during questioning by them that you and Mr. Hakim had talked about the fact that once the channels were open, you really saw a great opportunity to make a good deal of money in terms of taking advantage of that new openness between Iran and the United States?

Mr. SECORD. Yes, sir.

Mr. BOREN. So, it is not really quite correct to say that that evil thought of making a little profit down the road didn't just lurk somewhere in the back of your mind through all this?

Mr. SECORD. I am like Mr. Liman—I am not the philanthropist, either. I have to make a living.

Mr. BOREN. I understood that all along. But you just keep rejecting the word "profit" like you think it is something ugly. You call it the difference. You call it the surplus. You call it the build-up of the capital account of the enterprise.

You seem so intent on saying to the American people that you never in a minute had any thought of profit as a motivation in the short run or in long run for this project. And that really isn't—at least in the long run you had a little hope, didn't you—

Mr. SECORD. I didn't testify I didn't hope to make a profit in the long run, and I told your staff that. That is why you know it.

Mr. BOREN. I want to make that clear.

Do you know Mr. Edwin P. Wilson? Have you been acquainted with Mr. Edwin P. Wilson?

Mr. SECORD. I knew him many years ago.

Mr. BOREN. Many years ago. How many years ago?

Mr. SECORD. I think the last time I saw him was in—I can't recall—1979, 1980.

Mr. BOREN. 1979, 1980. Well, that is not too long ago in the sweep of history.

You have told us that you renounced your profit because you wanted to come back into government, and I gather what you are really saying is that you wanted your reputation kept intact; you didn't want anyone to raise any question that you had been self-interested; you wanted to protect your reputation so you would be in a position to come back in the government. Is that correct?

Mr. SECORD. Yes, sir.

Mr. BOREN. Well, thinking about your reputation—and much has been said about that, and many of your good services to this country have been outlined by counsel, especially by minority House counsel. We have talked about your years of duty in the armed services and the decorations that you have had.

Didn't it concern you as a person concerned about his reputation that your association with Mr. Edwin P. Wilson—and let me just for the record state—and I would ask you if this sounds accurate to you——

Mr. Wilson in 1983 was convicted in the Eastern District of Virginia for conspiracy to illegally export fire arms.

Mr. Wilson was convicted in the Southern District of Texas in 1983 for conspiracy to extort illegally plastic explosives.

Mr. Wilson was convicted in 1983 in the Southern District of New York for conspiracy to murder federal witnesses.

Mr. GREEN. I would like to appeal to the Chair, if I could. I don't see what the relevancy of any of this is. I think we are descending very quickly into character assassination.

Mr. BOREN. Mr. Chairman, if you will allow me to complete my question, I can very quickly draw this connection.

Chairman INOUYE. Please continue.

Mr. BOREN. Now, that is the record of Mr. Wilson.

During the course of the investigation conducted by the FBI and others into Mr. Wilson's conduct that led, in part, to these convictions, you were interviewed in the course of that investigation, were you not, Mr. Secord?

Mr. SECORD. Yes, sir.

Mr. BOREN. And is it not true that in the course of that investigation you indicated that you knew Mr. Wilson well enough that he frequently gave you the use—and I am sure as a former pilot you enjoy flying—the use of an twin-engine aircraft for your personal use?

Mr. SECORD. For a short period of time, yes.

Mr. BOREN. For a short period of time, and he let you use it—I believe it was a twin-engine Seneca, wasn't it?

Mr. SECORD. Twin-engine Beech.

Mr. BOREN. Twin-engine Beech that Mr. Wilson kindly provided for you.

What was your—were you in the employ of the United States Government at that time?

Mr. SECORD. Yes, sir.

Mr. BOREN. What was your position at that time?

Mr. SECORD. At the time I was Director of International Programs, Headquarters, Air Force.

Mr. BOREN. Director of——

Mr. SECORD. International Programs.

Mr. BOREN. International Programs. During all of this period of time or—what other positions did you hold during that period, say from 1980 to 1983?

Mr. SECORD. In 1981 I was appointed Deputy Assistant of Defense for the Middle East.

Mr. BOREN. In 19——

Mr. SECORD. 1981.

Mr. BOREN. In 1981. And then following that?

Mr. SECORD. That was it.

Mr. BOREN. That was it. In these positions, and, of course—when you were in Iran, what was your function there?

Mr. SECORD. Chief of the Air Force Section of the Military Advisory Group.

Mr. BOREN. And in these various positions, were you in a position to advise various governments and to participate in internal discussions of weapons systems and weapon sales and purchases?

Mr. SECORD. Yes, sir.

Mr. BOREN. Did you not think that it would be inadvisable for a man as concerned about his reputation as you to accept for Mr. Wilson, a noted arms dealer, the use of a private airplane during this period of time in which you were an official of the Government of the United States?

Mr. SECORD. At the time that you are referring to, I thought that he was an honorable man. I had no idea of what he was involved in. And, Mr. Boren, I was investigated, as you also well know, for—what?—almost three years and was cleared, was given a letter by Justice.

Mr. BOREN. It was found you had not broken the law. It was not found that you had not conducted—you were not given a certification of the use of a plane of a person like Mr. Wilson was appropriate or laudatory behavior. Let's be sure about what the record said.

Mr. SECORD. But the Justice Department doesn't issue those kinds of statements.

Mr. BOREN. No, they don't, but I think all of us as public officials have a responsibility of determining the propriety of our conduct.

Let me go into some of the other people with which you have been associated. You said yesterday that you had nothing to do with the Stanford Technology Corporation, the California corporation, and I believe you said on Monday, you said, I will quote you from the transcript, "which I have no association and never did, never did have any association," quote, unquote, from the transcript. Now it has come out——

Mr. GREEN. No association with what? We don't have these transcripts.

Mr. BOREN. With the Stanford Technology Corporation of California. I quote here. Let me just go into this.

> Mr. SECORD. Yes, it is confusing and often it is reported in the press incorrectly. Mr. Hakim has a company which he owned named Stanford Technology Corporation of California. Now a California corporation. He has had this name on several different companies and this is a company with which I have had no association, never did, never did have any association.

Now, you indicated today in your answers, and I was listening to you very carefully, you first said, "Oh, yes, I was on the board of that company for a little bit back in 1982 or 1983," and then you corrected that, indeed, according to the minutes which Mr. Liman went into, that you became the board member in 1983.

Now——

Mr. SECORD. I think it was 1984, Senator.

Mr. BOREN. I mean in 1985; I am sorry. 1985?

Mr. SECORD. And I thought it was 1984.

Mr. BOREN. 1985.

So you had been associated with them——

Mr. SECORD. I have never been to a single board meeting and I have never had any dealings.

Mr. BOREN. Never any dealings. You are unaware that Mr. Frank Terple, who is now a fugitive from justice, was the distribution representative for that particular company in Washington, DC?

Mr. SECORD. Completely unaware. And I have never met the man and never laid eyes on him.

Mr. BOREN. All right. You do know Mr. Thomas Clines, don't you?

Mr. SECORD. Yes, sir.

Mr. **Boren**. As I recall on Monday, you talked in glowing terms about Mr. Clines. You said you had great confidence in Mr. Clines.

Mr. **Secord**. That is correct.

Mr. **Boren**. One of the reasons you brought him on board was because you had confidence in him.

Mr. **Secord**. Yes, sir.

Mr. **Boren**. I am sure you know, and I believe you have indicated to our staff that you are aware of the EATSCO case——

Mr. **Secord**. Yes, sir.

Mr. **Boren**. The EATSCO case.

Mr. **Green**. We are well aware of it.

Mr. **Boren**. You are well aware of that?

Mr. **Secord**. Of course.

Mr. **Boren**. What was involved with Mr. Clines in that case?

Mr. **Secord**. Well, the bottom line was that Mr. Clines, one of Mr. Clines' companies was fined by a judge in 19——

Mr. **Boren**. 1984, I believe.

Mr. **Secord** [continuing]. 1984, for overbilling the U.S. Government.

Mr. **Boren**. So you knew about that?

Mr. **Secord**. I found out about the——

Mr. **Boren**. It wouldn't surprise you, and let me just summarize this memo before me. It would not surprise you to hear that on January 16, 1984, Systems Service International, SSI, plead guilty in U.S. District Court, Eastern Division of Virginia, Richmond, the one count criminal information charging SSI with filing false invoices with the DOD, DSAA relating to the cost of shipping military goods to Egypt under the Foreign Military Sales Act.

The plea of guilty was entered—let me change it. SSI—the second to next paragraph—SSI was fined a maximum penalty of $10,000 pursuant to a plea agreement between the United States and SSI. The agreement further provided that Thomas Clines, on behalf of SSI, would pay the United States $100,000 within 30 days in settlement of all additional civil claims.

The plea of guilty was entered by the president/sole stockholder of SSI, Thomas G. Clines.

That doesn't surprise you to learn that?

Mr. **Secord**. I knew it at the time.

Mr. **Boren**. You knew it at the time and yet this was the man with whom you chose to form a business relationship, to have him come and be involved in the operations that were ongoing?

Mr. **Secord**. Yes, Senator. He is a friend of mine and I testified to that.

Mr. **Boren**. And you knew, you knew also that he had—that he had access to this very sensitive encrypting equipment that had been provided to you by NSA and others?

Mr. **Secord**. No, he did not.

Mr. **Boren**. You did not know that Mr. Clines had that equipment.

Mr. **Secord**. He did not have that equipment.

Mr. **Boren**. He never communicated to you on it?

Mr. **Secord**. No, never.

Mr. **Boren**. But you knew of Mr. Clines having pled guilty to so many false invoices to the Government?

Mr. **Green**. He did not plead guilty. Mr. Clines did not plead guilty.

Mr. **Boren**. All right. Mr. Hakim, he is your principal partner in this operation, I guess you would say. He was operating in Iran when you were there representing the U.S. Government, was he not?

Mr. **Secord**. That is right.

Mr. **Boren**. Now, are you aware of the fact that Mr. Hakim also had his legal problems?

Mr. **Secord**. When I first went into partnership with him I was not aware, but I have subsequently become aware that he has had some legal problems.

Mr. **Boren**. When did you become aware?

Mr. **Secord**. A year or so into our association.

Mr. **Boren**. You didn't know that he was involved in a case in 1983 involving a U.S. arms manufacturer in which he was asked to provide a deposition about payments to former employees of his company that were unauthorized payments?

Mr. **Secord**. I had no idea, and I don't know that he did anything wrong. I still don't.

Mr. **Boren**. Do you know that in his deposition on that particular case, a Federal Court in New Haven, Connecticut, that Mr. Hakim admitted that he had been involved in the payment of bribes to hide Iranian Government officials—this was during the period of the Shah—to induce them to purchase certain equipment from this particular firm?

Mr. **Secord**. I have never read any of the documents. I have heard or seen some press reports.

Mr. **Boren**. So you are aware of these press reports that he had been involved in this?

Mr. **Secord**. Yes. But I don't know that he has done anything wrong. He was an Iranian citizen at the time.

Mr. **Boren**. If he admitted in a deposition—if he admitted—you said you have seen the press reports, that when he was an Iranian citizen, that he was in the business of expediting contracts by paying bribes to companies—is that not wrong?

Mr. **Secord**. I am not arguing with you. I am just saying I don't know what he did wrong. He was an Iranian citizen working according to Iranian standards, as far as I know.

Mr. **Boren**. You were aware he had some legal problems?

Mr. **Secord**. Yes, indeed, sir.

Mr. **Boren**. All right. Let me ask you now. When they got in trouble in November 1985 about this Israeli shipment of the 80 Hawks through Portugal and they asked you to step in, I believe that there was a conversation reflected in documents that we have had access to that indicates that attempts were made once you were called in, your associates, to pay some compensation to people—let's put it this way—make some payments to people in Portugal to get these shipments out of Portugal and that trying to expedite the thing in that manner; is that true?

Mr. **Secord**. This is the first time I have heard such a thing.

Mr. **Boren**. You never heard any conversation about that at all?

Mr. **Secord**. No, and I sure would like to see your documents, Senator.

Mr. BOREN. Well, I don't know whether you are cleared to see that at this point in this time.

Mr. SECORD. Well, maybe you don't understand them, too, you know.

Mr. BOREN. I will remind you you are under oath.

Mr. SECORD. Yes, sir.

Mr. BOREN. You had no discussion and you know of no discussion by your associates with anyone in Portugal in November of 1985 in regard to making payments to expedite the movement of those particular pieces of equipment?

Mr. SECORD. Only to the extent that we promised the Defex Corporation that their costs and their normal fee would be covered, because they were expected to handle the transshipment.

Mr. BOREN. Now, you said—that is a qualifying statement.

Mr. SECORD. Of course it is. It is the truth.

Mr. BOREN. Let me go back to my question, then. You then know to the extent that Defex was making payments of this kind that there had been discussions of making payments of this kind; is that correct?

Mr. SECORD. I said that I promised Defex that we would reimburse them for any costs that they incurred. Of course they never incurred any costs, and that we would pay whatever their normal fee is.

Mr. BOREN. Let me ask the question again. I will try to restate it exactly as I did before because I don't believe your answer is responsive, after I reminded you that you are under oath.

Did you, or did anyone associated with you have any conversation, or did you hear any discussion or have you heard then or since then any discussion of any payments being made by anyone to people in Portugal for the purpose of getting those shipments expedited?

I am talking here about people that are Portuguese officials, either running airports, or customs or any kind of association, official association.

Mr. SECORD. No, I didn't hear anything like that.

Mr. BOREN. You have not?

Mr. SECORD. No.

Mr. BOREN. Well, let me just ask, General Secord, if—it troubles me because you obviously are a person that is proud of your reputation, why in the world, to paraphrase an old saying, would a sterling fellow like you get caught associating with people like Mr. Wilson, like Mr. Hakim, and like Mr. Clines?

What is a nice fellow like you doing in an operation like that?

Mr. SECORD. Senator, Mr. Wilson, when I met him, was an honorable man, I thought he was a servant of the government. I had no idea what he was going to get involved in later. With respect to the other two gentlemen you have mentioned, I consider them both to be good friends, good Americans, they worked hard, did the best they could under very difficult circumstances.

Mr. BOREN. Your definition of a good American is someone who has admitted to defrauding the Government of the United States by filing false inventories?

Mr. SECORD. He didn't admit that.

Mr. BOREN. He pled guilty to filing——

Mr. **Secord**. He did not plead guilty to it. The company pled guilty.

Mr. **Boren**. Oh, the company pled guilty?

Mr. **Secord**. Yes, the company pled guilty. There is a big difference.

Mr. **Boren**. Why did he pay the $100,000 personally? Wasn't he in total control——

Mr. **Secord**. Because he wanted to get out of that mess. It was going on and on. It was a settlement.

Mr. **Boren**. I would certainly think that he would. I would certainly think he would.

Mr. **Secord**. It was a settlement, an agreement, Senator.

Mr. **Boren**. Let me ask you, were you denied a security clearance, to your knowledge, in October of 1983?

Mr. **Secord**. I was not aware of it until I read the memo they showed me this morning.

Mr. **Boren**. So you don't dispute the fact that you were denied a security clearance in October of 1983?

Mr. **Secord**. Well, I wasn't aware of it at the time.

Mr. **Boren**. But you don't dispute that?

Mr. **Secord**. And why was I denied a clearance? Because the counsel at CIA said the Justice Department said the investigation of me was continuing, and in January or February, we have the letter here, we received a letter from the Justice Department which closed the case.

Mr. **Boren**. Let's go into events since then. It was mentioned yesterday, I believe by minority counsel, about your service on the Special Operations Policy Advisory Group, SOPAG?

Mr. **Secord**. Yes, sir.

Mr. **Boren**. And you were commended, I believe by the counsel for that. He listed that among your own contributions to the country.

When did you leave SOPAG, when did you terminate as a member of SOPAG?

Mr. **Secord**. I can't give you a date. I think it was last summer, something like that. They terminated my membership.

Mr. **Boren**. They terminated your membership?

Mr. **Secord**. Yes.

Mr. **Boren**. It was not a voluntary leaving on your part?

Mr. **Secord**. No.

Mr. **Boren**. Why did they terminate your membership on that advisory council?

Mr. **Secord**. I think they had two reasons.

Mr. **Boren**. All right.

Mr. **Secord**. One was concern that there would be some notoriety in the wind, and because the assistant secretary there knew exactly and was briefed on that operation I was involved in with respect to Iran.

And secondly, because they sent me another set of financial statement forms to fill out. I had already filled out my financial statement forms and didn't send them then. So they terminated me. They didn't contact me. They didn't call me. They didn't say a thing.

Mr. **Boren**. You wouldn't disagree with the testimony that was given by the Secretary of Defense in this matter to a congressional committee, I quote the Secretary of Defense's testimony and then ask if you have any disagreement with it.

> Major General Secord served on the Special Operations Policy Advisory Group from January 1984 to August 1986. He last participated in November 1985, his membership on SOPAG was terminated effective the 4th of August, 1986, based upon his failure to provide the department with financial information as required.

Is there any disagreement with that?

Mr. **Secord**. No.

Mr. **Boren**. All right. Let me ask you about your security clearances. We talked about the earlier refusal to grant a clearance to you in 1983. What about the current status of your security clearances? Are you a holder of a security clearance at this time?

Mr. **Secord**. I don't believe I am anymore.

Mr. **Boren**. When was that terminated?

Mr. **Secord**. I couldn't give you a date, Senator, I don't know. I don't have any need for a security clearance, I don't have one.

Mr. **Boren**. You certainly had a need for it back during an earlier period of time here because you were dealing with a covert action which requires top secret code word clearance, which is above the top secret clearance level. I searched the records and can't find you ever had the code word clearance required?

Mr. **Secord**. I have had one for years.

Mr. **Boren**. Oh?

Mr. **Secord**. Yes, years.

Mr. **Boren**. You had one for years?

Mr. **Secord**. Yes. SCI.

Mr. **Boren**. Well, it is not totally reflected——

Mr. **Secord**. It is a matter of record.

Mr. **Boren**. I hate to tell you this, but it is not totally reflected--you certainly didn't have it in 1983. You didn't have any clearance in August of 1983, when the government declined to give you any clearance

Mr. **Secord**. Yes, I did. I had Defense Department clearance.

Mr. **Boren**. You were the target of an on-going investigation.

Mr. **Secord**. That is a CIA clearance you are talking about there. I still have a Defense Department clearance.

Mr. **Boren**. You do?

Mr. **Secord**. I did.

Mr. **Boren**. You did?

Mr. **Secord**. Yes.

Mr. **Boren**. According to information given to me by the Department of Defense, Office of the General Counsel, your top secret clearance was withdrawn, as a result of your failure to comply with the appropriate security forms necessary, and that also includes the filing of financial information necessary for the conduct of a periodic re-investigation in accordance with standard DOD policy.

This matter was first raised in June of 1986; again in November of 1986, when the department requested that you submit a new DD Form 49. February and March of 1987, you were again advised of it not received and to initiate appropriate action to withdraw your top secret clearances, which as I have indicated has been canceled.

Now, why are you so reluctant to——

Mr. SECORD. So I had the clearances that I said I had during that timeframe we were discussing.

Mr. BOREN. Why was that——Why don't we go back?

Here we have you on SOPAG, and you are removed for failure to provide financial information. Now, we have a security clearance and the Department of Defense cancels your security clearance for failure to provide financial information.

Mr. Secord, why are you so reluctant to provide financial information to this government that you say that you are so anxious to serve?

Mr. SECORD. I am not reluctant.

Mr. BOREN. Why didn't you do it, then?

Mr. SECORD. I called the official concerned when I received those forms. They are laborious forms to fill out. I filled them out many, many times.

Mr. BOREN. It is troublesome. We in Congress have to fill out financial disclosure forms.

Mr. SECORD. Yes, I am aware of that.

Mr. BOREN. They are very troublesome. They take time and they are a bother.

Mr. SECORD. You don't give me a chance to answer, Senator.

Mr. BOREN. Please do.

Mr. SECORD. I called the official who was involved in this and said, "Look, I have filled out these forms. Do I have to fill them out every six months?"

Mr. BOREN. What did he say?

Mr. SECORD. That is the last I heard from them until very recently I got a communication.

Mr. BOREN. Well——

Mr. SECORD. And I was rather busy during that period. I wasn't thinking about it.

Mr. BOREN. I understand. You have been awfully busy and unable to provide a lot of financial details. You have been too busy.

Let me——

Mr. SECORD. I think I have provided an enormous amount of financial details.

Mr. BOREN. I guess we have to all draw our own conclusions about that.

Mr. SECORD. No doubt.

Mr. BOREN. Let me just say that when it comes down to the record of your own actions that you have been terminated in terms of your security clearance by the Department of Defense and your membership on the policy advisory group. Both terminations were for your failure to submit updated financial information.

Let me go back to the question that you were asked this morning about the ownership that you have of all of these airplanes, airstrips, the whole airlift operation.

As I understand that, that was purchased with funds either contributed to the Contras which General—which Mr. Calero paid into your account. I believe there was a total, in addition to the $30 million mentioned Monday, there was a total of $17 million additional that went through the accounts under the control of yourself and Mr. Hakim, or into the system, as we might call it, of the enterprise—came into the enterprise—those other funds being funds Mr. Calero got from contributions, other sources.

And so, these were the funds that were used to buy the aircraft and the airstrip and—the whole mechanism?

Mr. SECORD. Right.

Mr. BOREN. Since this was money—all money that you had donated out of the arms fund sale to the Contras, since all this was money donated to the Contras, then how in the world can you say that you have a right to give this to anybody? How can you say it is yours? How can you say it belongs to the enterprise? Doesn't this belong to the Contras? It was bought with money contributed to the Contras.

Mr. SECORD. The money you are talking about, the assets you are talking about, were the property of one of the companies, and I have tried to——

Mr. BOREN. How did it become the property of one of the companies since it was all purchased—wasn't it purchased for the Contras?

Mr. SECORD. No. It was purchased to support the Contras.

Mr. BOREN. Purchased to support the Contras?

Mr. SECORD. Yes, sir.

Mr. BOREN. With funds donated to help the Contras?

Mr. SECORD. That is correct, and that is where they went.

Mr. BOREN. So, I suppose you had decided to sell—you said you wanted to donate. You told Mr. Casey. Was anyone else present when you told that to Mr. Casey?

Mr. SECORD. I testified it was one on one.

Mr. BOREN. One on one with Mr. Casey both times?

Mr. SECORD. Yes.

Mr. BOREN. So when you said you were going to give that away—and tragically, of course, Mr. Casey is not here to tell us what was said in those conversations—but both conversations were one on one with Mr. Casey only.

Now, if you decided—you said you decided that you wanted to give it away, even though over several months, you testified this morning, you were aware of—you checked in with Mr. Dutton about his pulling together those figures?

Mr. SECORD. Right.

Mr. BOREN. Now—but just suppose you decided to sell it to the CIA. Say you wanted to sell it. Could you have? Would it have been legal?

Mr. SECORD. I assume it would be, yes.

Mr. BOREN. How would it have been legal when, after all, all of the funds to purchase all of these things that were really in-kind contributions to the Contras were gained from donations where people didn't say we are giving this money to benefit Lake Resources or Southern Air or somebody else, they said we are giving this money to benefit the Contras.

Mr. SECORD. If it were done, the funds would have gone back into the accounts which we loosely referred to as Lake Resources.

Mr. BOREN. Tell me again why you wanted Mr. Dutton to do all of this work, preparing all of these cost figures and estimates on this memorandum that you said you checked in with him several times over quite a few months as he was getting this information together.

Why did you have him go to all that trouble if you had already decided, and you had already privately and secretly, one on one, told Mr. Casey you were giving it all away out of the goodness of your heart?

Mr. SECORD. This memorandum serves a lot of purposes. It pulled together the reorganization that was underway. There had to be a reorganization because the system was broken. It wasn't working. That was the principal function of Mr. Dutton during this timeframe.

Mr. BOREN. Now, so you wanted to pull together to show the value?

Mr. SECORD. And we did pull it together.

Mr. BOREN. And the purpose was to show the CIA how valuable it was?

Mr. SECORD. We pulled the operation together, Senator, and started making it successful for the first time in about that timeframe.

Mr. BOREN. All right.

You pulled all this information together. There were these various—why were all these options laid out if you had already decided to give it away?

Mr. SECORD. Because the CIA—I was being told by Colonel North—I didn't talk to the CIA, never about this except to—in general terms to the director, as I have testified to.

But Colonel North was telling me that the CIA didn't want to touch these assets because they were tainted. I ran through that in my testimony. I couldn't see how they could be tainted. I thought it was a very valuable asset. I thought it was something that was needed, it was in place, it was finally functioning. It was something we needed to support the Contras.

It was in that vein that we pulled this information together to show how valuable it was as an asset.

Mr. BOREN. Because you were going to give it to them?

Mr. SECORD. That is what I told them.

Mr. BOREN. You planned to give it to them.

It is interesting to me—on the land on the airport, you show the airport as a million dollar asset. Is that correct?

Mr. SECORD. It was—actually, we were on the hook for $5 million for it.

Mr. BOREN. You didn't show that. Mr. Dutton's memo doesn't show—it said you were on the hook, it was to have a balloon payment the next year of $5 million, was it not?

Mr. SECORD. No. Several years later the payment was made.

Mr. BOREN. On out in the future.

So if you had given it to the CIA, if you had showed them this memo you put together showing here is a million-dollar asset we are giving you, you are really giving them a five-million-dollar liability, weren't you?

Mr. SECORD. No. We had to make some payments and had more payments to make on that property.

Mr. BOREN. If you had given it to them right at the moment as of the time that memo was put together, you were giving them a potential liability of $5 million down the road, were you not?

Mr. SECORD. Possible, it was a tremendously valuable piece of land.

Mr. BOREN. Why wasn't that put in the report so the CIA would be aware of the generosity of the gift?

Mr. SECORD. The CIA was completely aware of the terms.

Mr. BOREN. They were completely aware of them?

Mr. SECORD. Yes, they were.

Mr. BOREN. Let's go back to this control of the accounts we have gone into. You stated on Monday you had oral control. Mr. Hakim, he operated these financial accounts, but that you had oral control of those accounts; is that correct?

Mr. SECORD. Yes, sir.

Mr. BOREN. You could direct the control of these various accounts of the enterprise?

Mr. SECORD. Yes, sir.

Mr. BOREN. Orally.

Now under the definition of our tax laws, if you control funds, if they are funds under your control, arguably they are your funds. If you have $6 million, like we said there is six and a half million still in the fiduciary account, various accounts, bunch of names of Mr. Hakim's, Korel—it is hard for me to keep up with all the names of all these shell accounts sitting over there.

A million and a half still directly in the enterprise accounts—two million somewhere. It was unaccounted for out of $30. Another two million out of the $17 million that appears to be in Mr. Hakim's accounts. I count up $12 million if you take the full $47 million. You took $30 million and you said there was one and a half in the enterprise still. There was six——

Mr. GREEN. Is there a question, Senator?

Mr. BOREN. Yes. There is a question. I intend to ask a question. I hope the witness will answer.

Mr. SECORD. I would like to hear it.

Mr. BOREN. I am summarizing his statement to me. I want to ask it. He had oral control over this money. There was six and a half, plus one and a half still in the enterprise, plus two million unaccounted for, according to your statements on Monday, and then out of the second 17 million—so that is 10 million. Out of the 17 million that also flowed through, a total of 47.

There is another two million that apparently went either to Mr. Hakim or into a CD, additional CD. Twelve million all together—is that basically correct?

Mr. SECORD. I couldn't follow the latter part of it. I did follow the first.

Mr. BOREN. You remember—the $30 million you said where it is.

Mr. SECORD. Yes. We tracked through that.

Mr. BOREN. Eight million to Mr. Hakim's fiduciary and the one and a half million still in the enterprise. A total of eight, six and a half, one and a half. There was two million for which you could not account.

We were not quite sure where that went. You said that was unaccounted. You didn't know.

Mr. SECORD. The accounting hasn't been done yet.

Mr. BOREN. The accounting is not done. So we don't know where that two million is. There was $17 million more that came into the enterprise. This was the money Calero put in and so on. Out of that $17 million, as I have gone through the accountings we have available for Mr. Hakim, it appears there is another two million out of that that either is in a CD or it has been distributed to Mr. Hakim because there is another two million unaccounted for.

Mr. SECORD. I am unaware of it.

Mr. BOREN. You don't know whether it is $10 million or $12 million we are dealing with. Ten million from your earlier testimony on Monday. It is either $10 or $12 million. Either way, given the kind of ball park figures that we have been given here in terms of a couple of million of overhead and not accounted for, let me just ask you did you have oral control over those funds. Did you report them for tax purposes?

Mr. SECORD. No, sir.

Mr. BOREN. Why didn't you?

Mr. SECORD. I didn't think it was required.

Mr. BOREN. You didn't think it was required. Did you file a tax return for the year 1985?

Mr. SECORD. It is not yet filed. I have turned over my 1985 figures.

Mr. BOREN. Some you haven't filed.

Mr. SECORD. I turned them over to you.

Mr. BOREN. We have gone through, and I won't take—one last bit here. Just to clarify one last point before I quit, we had distributions mentioned this morning into these various accounts. For example, according to Hakim's records, we had a distribution out of the central account to Korel for $26,000, to Hakim for $26,000, to Sci-Tech for $8,061 distributed out on what looks like a three-way split, 5/20/86, 62, 62, 63,000 distributed out according to Mr. Hakim's records to Sci-Tech, Korel, Hakim and CT.

That looks like a 30-30-30-10 split. June 19, 1986, you had $26,000 distributed out again. The same company, same kind of split percentagewise. 8/28/86, $861,000 was distributed out, Sci-Tech, Korel, CT, and Hakim. Again, the same kind of splits.

Would it surprise you that in Mr. Hakim's ledgers there are also references to disbursements to you of $101,000, $118,000, gives account numbers. This is in a period from 1984 to 1986, April 1986. There is another one of over $100,000, $118,000, another $101,000 and that these account numbers, at least according to Mr. Hakim's ledger sheets, also match up.

Not only do they say Richard Secord or RVS, and they also match up with the Korel account. Would that surprise you?

Mr. SECORD. I haven't seen the records you have got there, Senator. I have not seem them.

Mr. BOREN. You haven't had access to look at Mr. Hakim's ledgers?

Mr. SECORD. No.

Mr. BOREN. Would it surprise you that some of these account numbers for Korel where you have obviously a distribution of a split of money of proceeds of some kind on a 30-30-30-10 basis appear to match up the same account numbers with your name? Would that surprise you if that were true?

Mr. SECORD. I don't know about the allocations. I would like to look at the records. We tried to do some of that math the other day and we weren't able to come up with that neat a picture.

Mr. BOREN. So you simply don't know?

Mr. SECORD. No.

Mr. BOREN. Let me get down to the bottom line, Mr. Secord. I will complete. My colleagues are being very patient with me.

We have records from Mr. Hakim, some records from Mr. Hakim that indicated where the first money came into the enterprise, a partial readout on Lake Resources' accounts, and so on.

As I have indicated, they are somewhere. We could argue about the figure, whether it is eight million, ten million, or twelve million. But there is a substantial amount of money here. You said $6.5 million is in these various accounts that you call fiduciary accounts of Mr. Hakim, several million dollars in these accounts.

You do understand, don't you, that this committee has not been provided with records that trace where the money went after it went into these accounts.

In other words, money is shown going out to Korel. I just showed you, 800-some thousand dollars. Now, once it gets into Korel, we don't have any other records that indicates if it is still there, if it has gone out someplace else, because we do not have the bank records for Korel.

Do you understand that?

Mr. SECORD. I did not know it, but I thought you had the bank records.

Mr. BOREN. We do not have the bank records that go into where the money finally was disbursed. We have the first payments out to the first shell corporations, the first level of where the money went.

We do not have records as to where the money went, we know it is paid out to various people, to CT, whatever that means, to Korel, whatever that means, to all these other various accounts in various names.

We know money was paid out, disbursed, and according to your own math, you told us on Monday, $6.5 million in these various accounts, or $6.5 million that went to these various accounts.

Now, we don't have bank records that tell us if that money is still in those accounts or if it has been distributed out to anyone.

Do you understand that?

Mr. SECORD. I understand what you are saying. I think you have to pose that question to Mr. Hakim.

Mr. BOREN. Are you aware of the fact we do not have that information?

Mr. SECORD. I was not aware you didn't have the bank records. I thought you had the bank records.

Mr. BOREN. Mr. Secord, we have discussed this. You come here and you have said to us that you are being very candid. This committee appreciates the fact you did not ask for immunity to testify. You came in and have been testifying here for three long days. I am sure they have been very long days for you.

We appreciate the fact you have done that. You presented yourself to the American people by saying you have come here to tell everything, you have no reservations, you are laying it all out for us and that you didn't get a penny, that you had no profit motive, that all this money was paid out into those accounts.

We know where the money first went. We know the accounts it was first paid into, but we don't know where it has gone from there. We don't know who ended up with it. In all honesty, we don't know if there are any Richard V. Secord accounts in any Swiss bank, do we?

Mr. SECORD. Just that you heard from me.

Mr. BOREN. All we know is we have your word to tell us that you don't have any account.

Let me ask you. Do you have any accounts, could you list for the committee the accounts on which you are the signatory, either in this country or any other country in the world, including Switzerland, the Cayman Islands, or anywhere else, any country, could you list for the committee the names of the accounts that you have on which you have drawing rights, or signatory rights or you have any beneficial interest in now or in the future?

Would you name for the committee right now those accounts on which you are a signatory, have drawing rights or any beneficial interest now or in the future in this country or any other country?

Mr. SECORD. I will be happy to submit a letter to you.

Mr. BOREN. You will name them all?

Mr. SECORD. Yes, sir.

Mr. BOREN. All right. Now, we have your word for it?

Mr. SECORD. You have my word.

Mr. BOREN. We have your word for the fact that would be a full and complete list of any account on which you have any right to draw?

Mr. SECORD. I will give you an affidavit.

Mr. BOREN. I think it is time for you to take the next step so we don't have to just take your word for it, even your word for it under oath. I say that with all respect.

I ask a member of the staff to come forward. We first wrote in February, and I have a letter from Mr. Liman to you in February, asking for this waiver of authority so that we can look at your bank records, so we can determine in Switzerland for ourselves objectively, is there any account of Richard V. Secord. It is exactly in the form your counsel knows about.

Our counsel has prepared it. We have a notary here, Mr. Secord.

If you are telling the truth to the American people and if you are being totally candid and you want the American people to know for sure that you have not made a profit, I would urge you, if you love this country and are interested in full disclosure, to sign that waiver for us that we have been negotiating with you since February, that we discussed with you again on Monday.

You said you would consider it. I assume you have had adequate time to fully look into that matter. I would urge you to sign it right now. And present it to us.

Mr. GREEN. He is going to stand by his answer before. He is inclined to sign it.

He probably will sign it. And he will rely on the advice of counsel. We will consider it.

Mr. SECORD. That is going to be a decision to take in———

Mr. BOREN. You are not prepared to sign it today?

Mr. SECORD. No, sir, but I will give you a decision just as quickly as we can focus on it. I am talking about days not weeks.

Mr. BOREN. We will look forward to your decision.

I appreciate your patience in answering my questions. Thank you.

Mr. SECORD. Thank you, Senator.

Chairman INOUYE. I am pleased now to recognize the gentleman from Ohio, Congressman DeWine.

Mr. DEWINE. Thank you very much, Mr. Chairman.

Good afternoon, General.

Mr. SECORD. Good afternoon, sir.

Mr. DEWINE. General, I am going to try to be brief. I just have a few questions for you.

General, wouldn't you agree that Ollie North was and is—let me see how I am going to say this—sort of given to the dramatic?

Mr. SECORD. Yes. Ollie is a very enthusiastic Marine officer and is certainly—certainly has got a certain amount of melodramatic flair.

Mr. DEWINE. A sort of flair for the flamboyant?

Mr. SECORD. He's been characterized that way a lot in the press. I think it is overstated, but it is there.

Mr. DEWINE. He could tell a pretty good story, could he not?

Mr. SECORD. Sure.

Mr. DEWINE. General, you told us yesterday that Oliver North told you that he had told the President of the United States about this so-called diversion of the funds and, in fact, he had told the President, sort of laughed a little bit about the fact that the Ayatollah was, in fact, supplying some funds that were ultimately being used for the contras?

Mr. SECORD. Yes, sir.

Mr. DEWINE. General, you were skeptical of that story, were you not?

Mr. SECORD. Yes. It doesn't sound like the kind of story that one would hear in the office of the Commander in Chief.

Mr. DEWINE. In fact, General, when you and I and Mr. Green, Sunday night after a long day that we had spent with counsel, with Mr. Stokes, with staff members, walked out of the Capitol and walked toward our cars—my car was in the parking lot, yours was fairly close—I asked you, did I not, I said, "General, do you believe that story?"

You recall that?

Mr. SECORD. Yes, sir.

Mr. DEWINE. And you told me at that time, did you not, that you were skeptical?

Mr. SECORD. Yes, sir.

Mr. DEWINE. You recall that you told me something else, as well—that you told me at that time that you were skeptical, you didn't know, you weren't there, but that if you had to bet your last dollar on it, you wouldn't do it?

Mr. SECORD. That is correct.

Mr. **DeWine**. That is correct?

Mr. **Secord**. That is correct, Congressman.

Mr. **DeWine**. Is your opinion the same today?

Mr. **Secord**. It has not changed.

Mr. **DeWine**. General, let me move, if I could, to the deposition that you were questioned about this morning. This was a deposition—and I assume you have not seen it—it is the deposition of Robert C. Dutton.

Mr. **Secord**. Yes, sir. I have not seen it.

Mr. **DeWine**. You had not seen that before today?

Mr. **Secord**. No.

Mr. **Green**. Still haven't seen it.

Mr. **DeWine**. Friday, February 4, 1987, is the date on it.

Over the lunch hour I pulled that out and read through it. I noticed this morning, General, that you had a little difference of opinion with what was read to you from that transcript. Would that be a fair statement?

Mr. **Secord**. Yes, sir.

Mr. **DeWine**. I would like to read to you another section of that transcript that was not read to you this morning. I am going to read it to you. I know you don't have it in front of you.

I would like to ask you whether or not this is accurate, or if you could just comment on it.

For counsel's benefit, this is on page 55, questioning by Mr. Buck.

> *Question*. You mentioned that this document was to be presented to the CIA to help them decide how to take over the operation, or whether to take over the operation; is that right?
>
> Answer. It was given to Colonel North to use however he saw fit, but——
>
> *Question*. OK.
>
> Answer. If you wanted to use it as a talking paper, wanted to use it as a document to leave with the CIA so they can know what was there, I don't know exactly how he handled it, but that is what it was prepared for.
>
> *Question*. I'm trying to determine whether it was the intention of your company to sell these assets to the CIA or not.
>
> Answer. If the CIA wanted to purchase them, then the idea was to sell them. It was also discussed that it could be given to the CIA.
>
> *Question*. So you are unclear about that?
>
> Answer. That is correct. That was General Secord's decision.

On page 56, the next page, this exchange takes place.

> *Question*. Did he ever talk about a profit that he would make from the CIA?
>
> Answer. No.
>
> *Question*. You said that was General Secord's decision. Did he ever communicate any feedback from the discussions with the CIA whether this would be a sale, a gift, reimbursement?
>
> Answer. No. All he told me, CIA decided they would use our organization as the core of their effort when they took over the resupply operation.

Do you have any comment about that? That was a portion of the testimony from a deposition taken May 4, 1987, Robert C. Dutton.

Mr. **Secord**. That sounds more like an accurate history.

Mr. **DeWine**. General, a number of weeks ago there was an interview on "20/20" with Barbara Walters interviewing Bud McFarlane. I would like to read—I looked at it over the lunch hour and had a very small portion of it transcribed. I would like to read it as a preface to my question, if I could.

This is BUD MCFARLANE. I think, Barbara, that in a year's time a curious and haunting factor that will come out in this episode is the Vietnam War, and I think it should, but it is a factor in shaping Colonel North's actions.

BARBARA WALTERS. What do you mean?

BUD MCFARLANE. Well, the people that went through that—and Colonel North surely did—you come away with the profound sense of very intolerable failure, that is, that a government must never give its word to people who may stand to lose their lives, and then break faith. And I think that it is possible that in the last year we've seen a commitment made to human beings in Nicaragua that is being broken.

BARBARA WALTERS. And he was trying to make up for it, do you think?

BUD MCFARLANE. I think that is very likely.

General, I noticed over the weekend as we went through the discussion with you that a number of the people who were involved in this operation were Vietnam War veterans, most of them combat veterans, in fact—Bud McFarlane, yourself certainly, Colonel North, several others.

Do you think that experience affected you and affected the other people who were involved in this in a way that Bud McFarlane is talking about here?

Mr. SECORD. I did not see the program, but I am in complete accord with the sentiments you have just read. And, of course——

Mr. DEWINE. In what respect?

Mr. SECORD. I share with him the notion that we can't keep breaking faith with people around the world. We have done it too many times. I could tick off a number of occasions which have been very bad. The Contra situation is similar.

Mr. DEWINE. Did that in any way affect your attitude toward what was going on, specifically in regard to the resupply?

Mr. SECORD. Yes, sir. I undertook the resupply operation against the advice of several of my colleagues, knowing that it was a dangerous undertaking—knowing it was vital, however, to the sustaining of those troops in the field.

I was afraid, and I had been told by people who are supposed to know, that once they retired from the field, it would be very difficult to ever get them back in.

It was my notion that this bridging action was absolutely vital and, of course, I was conditioned by my previous experiences. None of us who participated in that conflict in Southeast Asia felt very good about the ending.

So that is a rambling answer to your question.

Mr. DEWINE. But the breaking faith aspect——

Mr. SECORD. I have been personally involved in programs, personally and directly involved in programs where we were supporting a number of irregular groups, specifically the Mai or the Mung Laos, the Kurdish tribesmen along the Iran-Iraq border, to name two well-known examples, and now the Contras, in which we have just pulled out and left those people to die, and die they did.

Mr. DEWINE. General, yesterday, maybe even the day before—it seems like we have been here a long time—you told us that when this very important meeting was coming down on February—I believe it was February 24, my notes show, 1986—in Frankfort, that you could not—the U.S. Government, leader of the free world, could not produce a translator in Farsi. Is that correct?

Mr. SECORD. Yes, sir.

Mr. DeWine. That, to me, is absolutely unbelievable. I was shocked when you told us that this weekend, and I was shocked again to hear it. It is just hard for me to believe that.

You have testified about the need for human intelligence and you talked a little bit about that yesterday. I'm not sure that everybody who is watching this today and listening understands exactly what you mean by "human intelligence."

What do you mean by that? What does that term mean, the term of art?

Mr. Secord. I'm talking about intelligence information that is collected through other than technical means, other than photographic or electronic means, therefore the term "human intelligence." That means primarily——

Mr. DeWine. HUMINT?

Mr. Secord. HUMINT intelligence.

Mr. DeWine. This really means to me intelligence gathered from face-to-face contact, from personnel who are reading documents abroad and things of this nature.

In the grand scheme of things, based upon your years of experience, how important is human intelligence?

Mr. Secord. Well, it is the sine qua non in my opinion of our—particular intelligence means are wonderful. I think we have the best in the world. Without human intelligence, you can't see inside peoples' minds with photo reconnaissance and you cannot with electronic surveillance determine intentions, see patterns of operations very well. There is just a host of things that cannot be noted in this kind of intelligence gathering.

Therefore, the accent I tried to place on the need for human intelligence and I think everyone knows our capability has suffered in this area, suffered a great deal in certain areas.

Mr. DeWine. A great deal?

Mr. Secord. Yes.

Mr. DeWine. Based upon your experience in this Iran initiative, what was the status of our human intelligence in regard to Iran when this initiative started and as you went through your different role or different parts of this initiative?

Mr. Secord. Very poor. We had to rely on third-country reports and I had to rely on radio and it has broadcasts from Tehran and things such as this. We did not even have a good description of the power hierarchy in the country.

Mr. DeWine. How did we get to that point where we did not have good human intelligence in regard to Iran?

Mr. Secord. In my opinion, the revolution caught all of us by surprise and that includes me as well. In the wake of the revolution, the environment became much more hostile, of course and, therefore, much more difficult for Americans to operate.

However, a great deal of—and we didn't do much operating there. And still don't. But the situation in Iran is one where there is a tremendous amount of commerce going on with many nations of the world, all the nations of Europe as far as I can see, and many from the Far East are doing or trying to do business with Iran.

We are not, of course, but just in doing business, it is a good vehicle for the collection of intelligence.

The point is we don't have a good network.

Mr. **DeWine**. General, you were, what I would classify at least, the operational director of both these initiatives. Based upon that experience, what effect did this lack of good human intelligence in regard to Iran have on your operation? What effect did it have on the success or failure of what you were doing?

Mr. **Secord**. It was certainly a factor because it was very difficult to evaluate information as it came in and everything struggled with this. We had to rely on technical means to try to cross check information that was being garnered from the principal players and that is not a satisfactory way, in my judgment, in which to proceed.

So there was really no way for us to have a good visibility, if you will, as we moved down this road into Iran.

Mr. **DeWine**. General, let me change the subject slightly here, if I could.

In your testimony yesterday, I believe, you talked about the difficulties in regard to the Contras and I believe you said, if I wrote it down correctly, that "it would be very difficult for the Contras to win a military victory."

Do they have to win a purely military victory considering the fact that this is a guerrilla conflict? In other words, must there be an outright military victory or do we have other factors coming together?

Mr. **Secord**. I don't think they have to win a military victory. I think they have to make some significant military inroads in order to create the necessary pressure to bring the opposition into some kind of negotiating process.

I simply don't see the Contra army ever reaching the size where it could in a classic sense defeat the Sandinista armed forces. In my judgment, it is not in the cards. I can't see it. But they can cause sufficient problems for the Sandinista regime which is not a strong regime inherently in my opinion and I think that they can at some point create sufficient tension, pressure, turbulence that the Sandinistas would be advised to come into the negotiating process somehow, either Contadora or something like that.

Mr. **DeWine**. And isn't it a fact that when the Sandinistas came to power in 1979 that they had a lot of different things coming together. It wasn't just a military victory on the battlefield, it was some military success, but also some of the neighboring countries' involvement, some of the populace involvement and a lot of different things that classical guerrilla warfare came together for the Sandinistas in 1979.

In fact, they didn't have that many troops on the ground, did they?

Mr. **Secord**. No, from my reading, they had a great deal of support and infrastructure in the basic poor population, and that was the source of their power.

Mr. **DeWine**. General, you stated yesterday, let me give you a couple quotes. I want to ask you to explain or expand on them a little bit.

You stated that America or the administration should not cut and run, but that some credit could be taken for the initiative.

You also stated, and this is a quote, "It was a good policy and worth a try."

What were you talking about? What do you mean?

Mr. SECORD. I was talking about the Iran initiative, and God knows looking back at it, it was messy. But I think that basically the administration had a good idea. That idea was to gain and maintain contact with some new elements in Iran and to ultimately move towards some sort of normal relations.

The successes I referred to were the development of the second channel, which I thought was an achievement, it was never fully engaged, but it was an achievement of sorts. I thought, of course, the release of the several hostages was also an achievement. So those are the successes that I was specifically referring to.

Mr. DEWINE. General, you testified that at one point before you got involved in the Contra resupply that you sought a legal opinion. Is that correct?

Mr. SECORD. Yes, sir.

Mr. DEWINE. I would ask you to look at exhibit 23, which I hope has been placed in your book. It is in mine. I think it is in yours.

Mr. SECORD. Yes, I think we have it.

Mr. DEWINE. Are you familiar with exhibit 23? I will wait until you get it out.

Mr. SECORD. It is a legal opinion on the Neutrality Act.

Mr. DEWINE. It should be, yes. You can just identify it.

Mr. SECORD. I have it, sir.

Mr. DEWINE. For the record, could you tell us what that is?

Mr. SECORD. Yes. This is a legal opinion from the Washington firm of Patton, Boggs & Blow.

Mr. DEWINE. Who sought the legal opinion?

Mr. SECORD. I did. And the opinion is addressed to me and it is dated the 8th of May 1986.

Mr. DEWINE. What is the subject of the opinion?

Mr. SECORD. Applicability of the new Neutrality Act.

Mr. DEWINE. The exhibit is, I believe, in the record, so I won't ask you to read it or testify from it, but can you just tell us quickly, General, what the opinion said or what the thrust of it was, as you understand it?

Mr. SECORD. The opinion says that our airlift operation would be legal, that it would not violate the Neutrality Act; however, it cautioned if we were to haul, transport—I should say—troops, then we would be in jeopardy of violating the Neutrality Act.

So long as we were engaged in a commercial operation is another one of the reasons we had to have commercial companies, as long as we were engaged in a commercial operation, transporting war material, we were not in violation of the Neutrality Act.

Mr. DEWINE. Why did you seek that opinion?

Mr. SECORD. Because I didn't know whether such an operation was legally feasible.

Mr. DEWINE. Mr. Chairman, I would at this time, ask to have this made part of the record.

Chairman INOUYE. Without objection.

Mr. DEWINE. Thank you, Mr. Chairman.

You testified on numerous occasions you had checked out the Boland amendment and felt it didn't apply to private citizens; is that correct?

Mr. SECORD. That was my opinion.

Mr. DEWINE. Did you also check out the implications of the Arms Export Control Act or the Economy Act?

Mr. SECORD. The Economy Act, no, but the CIA lawyers did the lawyering on that. I didn't think it was necessary for me to meddle into that or inquire into it.

With respect to the Arms Export Control Act, again the CIA lawyers addressed that, and I am familiar with those statutes. I have worked with them for a long time.

Mr. DEWINE. What does that statute basically say?

Mr. SECORD. It says that the exports of certain war materials must be licensed by the U.S. Government, and that the Congress must be notified of sales of certain types and certain magnitudes.

Mr. DEWINE. This is a country-to-country situation?

Mr. SECORD. Well, the Arms Export Control Act I believe covers both commercial sales and foreign military sales, but I am most familiar with the foreign military sales part of it.

Mr. DEWINE. General, based upon that background, I wonder if you could shed a little light on how the CIA in this particular case came up with a price for the arms or also how the Department of Defense—maybe we will go to the Department of Defense since that is the more typical case. How do they arrive at a price; is there not a specific statute that deals with that?

Mr. SECORD. There are DOD regulations and there are statutes from which these regulations flow.

There are specific procedures to be followed and pricing board actions have to be taken. When you are delivering from inventory, which was the case we are addressing here, one of—as I recall, one of the factors that has to be addressed by the pricing board is the aged material and the condition of the material, so I am sure the Army addressed this when they ran through their pricing action.

Mr. DEWINE. General, you testified earlier that North was doing everything he could to implement the Boland amendment. What did you mean by that?

Mr. SECORD. I meant that he was painfully aware of the Boland amendment and from my limited observation was trying his best to live within it and to put together some kind of system that could function within the confines of Boland.

I did not believe that either he, or the President for that matter, were prohibited from trying to raise private funds. I did not believe that Boland applied at all to private operations. It never even occurred to me someone would consider the salaries as a problem.

Mr. DEWINE. Thank you, General.

Thank you, Mr. Chairman.

Chairman INOUYE. Thank you, sir.

I will now recognize the gentleman from Utah, Senator Hatch.

Mr. HATCH. Thank you, Mr. Chairman.

General Secord, I think it is no news to you the fact when we were taking the Intelligence Committee testimony, I called for the limited use immunity for Poindexter, North, and yourself, and Hakim among others, so I feel particularly pleased that you have voluntarily come here to tell your story. And although Hakim and Poindexter have been granted limited immunity, I think it would be an equally good thing on the part of both North and Poindexter if they would voluntarily come in and tell their stories.

I think the American people would appreciate it; this committee would appreciate it. I want to tell you I appreciate your being here. This has not been easy.

You have had to be subjected to three days of very intense examination, some of it very strong, and you have sat there and answered these questions, I believe, to the best of your ability.

Now, let me ask you just a number of series of questions that I hope will perhaps help tie this together.

In your testimony the other day you indicated that in response you said, well, I had not direct first-hand knowledge about what the President knew or didn't know. I think everyone knows. I never spoke with the President on this.

I was told on a number of occasions and I even recorded the ones in a December 1984 memo to myself, the President was informed of my participation in the Contra and later in the Iranian operations. I had talked with the Director of the CIA who was a—I assume he was passing information to him.

I talked with two different National Security Advisers. I was told by Admiral Poindexter in January of 1986, not only was he pleased with the work I was doing but the President as well, and you went into the anecdote about North's comment the Ayatollah was helping to finance the Contra matter. Have you ever met the President of the United States?

Mr. SECORD. Only in 1981 during the period of the AWACS debate, the sale of the AWACS——

Mr. HATCH. That was before these matters in question?

Mr. SECORD. Long before.

Mr. HATCH. Have you ever met him or talked with him since you got involved in these problems?

Mr. SECORD. No, sir.

Mr. HATCH. Have you any personal knowledge that the President might have known about a diversion of funds to the Contras?

Mr. SECORD. No, sir.

Mr. HATCH. So, anything that you testified to here would merely be speculation that perhaps Casey might have told him, McFarlane, North, or Poindexter, and North might have told him.

Mr. SECORD. Exactly.

Mr. HATCH. Have you had any contacts with the Vice President of the United States?

Mr. SECORD. Not since I left government.

Mr. HATCH. Is there any way that the Vice President of the United States could have been told about the diversion of funds to the Contras?

Mr. SECORD. Is there any way he could have been?

Mr. HATCH. Right. I mean to your knowledge.

Mr. SECORD. To my knowledge, I know of no communications with him.

Mr. HATCH. You had no personal communications yourself?

Mr. SECORD. No, sir.

Mr. HATCH. You don't know of anybody else who claimed they had communications with either the President or the Vice President other than the people I have mentioned?

Mr. SECORD. I did not hear anyone say they spoke to the Vice President about these matters.

Mr. HATCH. Is that true, the same true about Mr. Weinberger, Secretary of Defense, and Mr. Shultz, Secretary of State?

Do you have any knowledge or have you had personal contacts with them with regard to any of these matters?

Mr. SECORD. I spoke to one of Secretary Weinberger's staff in January or February of 1986 about the upcoming Iran project. So I am sure that the Secretary was aware of it.

And I was also told by Mr. North and Mr. Poindexter and Mr. McFarlane at different times that the Secretary—the Secretary of Defense, that is—was opposed to this, strongly opposed to this. And a staff officer told me, as well.

Mr. HATCH. When you chatted with Secretary Weinberger's staff, did you state there was going to be a diversion of funds to the Contras or your working at all to get money to the Contras?

Mr. SECORD. Prior to that time, but the Contras did not arise.

Mr. HATCH. The same series of questions—any comments about Secretary Shultz?

Mr. SECORD. No, sir, no comment at all.

Mr. HATCH. So, basically, the people with whom you had contact who were in the administration were Casey, McFarlane, Poindexter, and North that were high level officials.

Mr. SECORD. That is accurate.

Mr. HATCH. Are there any high level officials with whom you chatted or who might have had some knowledge about the diversion of funds to the Contras or any help that you or anybody affiliated with you was given to the Contras?

Mr. SECORD. Not at all, Senator.

Mr. HATCH. OK.

Now, you have described basically what your relationships were with McFarlane, Poindexter, and North. Let me ask you this. With regard to the money, you started with about $30 million from the Iranians, right?

Mr. SECORD. Yes, sir.

Mr. HATCH. You took $12 million off to pay the CIA for various arms, so that comes down to about $18 million left, right?

Mr. SECORD. Yes, sir.

Mr. HATCH. You take $8 million off, because that is the amount you feel still remains in the Swiss account under the control of Hakim; is that right?

Mr. SECORD. Yes, sir.

Mr. HATCH. That leaves a $10 million balance; is that right?

Mr. SECORD. Yes, sir.

Mr. HATCH. Then you took $3.5 million off to assist the contras that was sent directly to them; is that correct?

Mr. SECORD. That is approximately correct.

Mr. HATCH. That leaves a balance of $6.5, right?

Mr. SECORD. I don't know if I follow your arithmetic.

Mr. HATCH. Thirty less 12 less 8 less 3.5, so I am down to 6.5.

Mr. SECORD. OK.

Mr. HATCH. Then you take off in connection with expenses of the arms shipment; is that correct, approximately?

Mr. SECORD. Yes, it is correct.

Mr. HATCH. That leaves a 3.5 balance, right?

Mr. SECORD. Yes, sir.

Mr. HATCH. You spent approximately a million dollars for other purposes—the Caribbean country, equipment, and so on.

Mr. SECORD. I think that is roughly correct.

Mr. HATCH. That leaves about $2.5 million not yet accounted for; is that right?

Mr. SECORD. That is right, but I think there is some records yet to be examined.

Mr. HATCH. All right.

Can you help the committee in any way to understand where that $2.5 million or any part of it is?

Mr. SECORD. I think I can help by continuing to go through the records, and I am willing to do that.

Mr. HATCH. Today you don't have any knowledge about that amount of money?

Mr. SECORD. No, sir.

Mr. HATCH. So you got $8 million left in the account but about $2.5 million that basically is not accounted for.

Mr. SECORD. Correct.

Mr. HATCH. OK.

Now, the monies that went into Lake Resources, as I understand it, came from several primary sources: Iran, private contributions—that would include the channel people and so forth—from the Contras themselves. They had sent some money; is that correct?

Mr. SECORD. Correct.

Mr. HATCH. Then various foreign governments may have contributed to some monies in this situation; is that correct?

Mr. SECORD. Yes, sir.

Mr. HATCH. Are there any other sources of funds that went through the various accounts that either you or Mr. Hakim or anyone affiliated with you had any control over?

Mr. SECORD. Israel made one deposit to cover part of the cost to their TOWs.

Mr. HATCH. All right. So, we would add that. How much was that?

Mr. SECORD. We accounted for that in that 31 or—whatever it is.

Mr. HATCH. All right.

Now, in addition to this, you had about $1.2 million from CIA with regard to—or that you gave—you paid about $1.2 out for munitions.

Mr. SECORD. We weren't able to pin that down on Sunday, but I think we paid out about 1.8.

Mr. HATCH. All right.

Mr. SECORD. Then recouped 1.2.

Mr. HATCH. All right. Now, in addition to that, as I understand it, from a monetary standpoint in late 1984 and the first half of 1985 you and Hakim, through various arms dealers in Canada, and Thomas Clines, brokered various arms deals you felt had an average markup of about 20 percent; is that correct?

Mr. SECORD. Yes, sir. I thought that—I think that by line item they were marked up between 20 and 30 percent and there was no markup on transportation.

Mr. HATCH. All right. Now as I understand it, after paying Clines you and Hakim were supposed to split the profits 50/50.

Mr. SECORD. Correct.

Mr. HATCH. And you forewent those problems; is that right.

Mr. SECORD. Later in 1985, yes.

Mr. HATCH. Would there be any problems in your mind had you taken the profits and kept the profits for your business or yours.

Mr. SECORD. No. The only problem I was concerned with was one of a possible image problem.

Mr. HATCH. All right. Now, you say that you directed these actions, you made most of the decisions, but who directed you? Basically, the one thing I am having some difficulty with is why you would go off and just do all these things on your own, who actually gave you instructions or gave you advice or followed up and helped you to make the decisions that had to be made.

Was it solely Oliver North or who was it?

Mr. SECORD. I received guidance from North, I received guidance, general guidance from Poindexter, and of course during the Tehran trip I received some guidance from McFarlane, and I was with McFarlane in London in December of 1985 during the Ghorbanifar meeting as well.

Mr. HATCH. McFarlane sent you on various trips and so forth, that is correct.

Mr. SECORD. Yes.

Mr. HATCH. Your first contact was North; is that right?

Mr. SECORD. He was the primary contact, yes.

Mr. HATCH. But North basically just worked with you on the three or four times a week telephone basis or otherwise to keep abreast of what you were doing and to help you to know what you should be doing; is that correct?

Mr. SECORD. Yes. We had telephone calls, and I went to his office on a number of occasions. And he would drop by my home on a number of occasions.

Mr. HATCH. OK. Now, you had how many meetings with Bill Casey?

Mr. SECORD. Three, sir, two alone and one with North.

Mr. HATCH. Did Mr. Casey give you any advice or any counsel?

Mr. SECORD. He gave me encouragement by praising my actions and by saying he had administration for me.

Mr. HATCH. Did Bill Casey actually know about diversion of funds to the Contras? Do you have any personal knowledge whether or not he knew?

Mr. SECORD. No, no.

Mr. HATCH. You do not?

Mr. SECORD. I don't think he knew, but I am not sure, of course, but I don't think he knew.

Mr. HATCH. Then with all these people that I have described, the President, Vice President, Shultz, Weinberger, Casey, McFarlane, Poindexter, North, which ones of those would have known about the diversion of funds to the Contras?

Mr. SECORD. Poindexter——

Mr. HATCH. Or any of the sending of funds or material or supplies to the Contras?

Mr. SECORD. Poindexter would know, of course, North knew, and some of North's assistants, I think, may have known, but I am not sure of that. They had access to a lot of information.

Mr. HATCH. You don't believe McFarlane knew?

Mr. SECORD. I have no first hand knowledge.

Mr. HATCH. That's all I want is your first hand knowledge.

Mr. SECORD. I don't on that subject.

Mr. HATCH. You feel Mr. Casey probably did not know?

Mr. SECORD. That's my opinion.

Mr. HATCH. That's your opinion, OK. Who authorized you to set up the second channel and who actually suggested that you do that?

Mr. SECORD. I talked with North a lot, of course, after the failed Tehran mission. Everybody was tremendously disappointed. It was no secret to him I felt the Ghorbanifar Channel was abandoned and was going to cause us trouble.

I told him I was going to try to develop some information on a post-secondary challenge by utilizing Mr. Hakim and a lot of his contacts. He encouraged it, as I mentioned in testimony. It was decided sometime in March between he and Mr. Nir that they would both—both sides would search for second channels.

Mr. HATCH. Who authorized you to set the prices for the various arms shipments?

Mr. SECORD. Well, nobody——

Mr. HATCH. Did you just do that on your own with a general discussion?

Mr. SECORD. I took the guidance from North based on prices that he was furnishing me which he received from CIA, and then I did my own computations, and we arrived at the prices.

Mr. HATCH. Can you give us the reason why you were participating in the January 17 finding meeting?

Mr. SECORD. I believe that I was there only to be exposed to and pointed out as the third party that was mentioned in the finding.

Mr. HATCH. Now, with regard to the air supply operation, in your opinion, what were the main mistakes that occurred?

Mr. SECORD. There were so many. The biggest mistake that I made was to proceed into that operation without assurance of sufficient funding, and we underestimated the amount of funds it really took to put this thing together.

Mr. HATCH. As a matter of fact, wasn't one of your problems, and the reason you tried to accumulate funds was because of your fear that you might not have enough money to cover some of the problems that arose, that were continually arising?

Mr. SECORD. There is nothing but surprises in these unconventional operations. With the airlft, we are talking about the Contra airlift operation now?

Mr. HATCH. Right.

Mr. SECORD. Other mistakes we made had to do with waiting too long to recognize material deficiencies and by that I mean specifically maintains deficiencies in our personnel and in our spare parts support.

Another deficiency that we had, I mentioned I think several times is the lack of good professional quality intelligence information, and we never achieved that. We couldn't even get weather satellite information, and these things make the risk go way up.

Mr. HATCH. So you could list a lot of problems that existed?

Mr. SECORD. I could go beyond, but those are the ones in my mind most important.

Mr. HATCH. Were you ever worried about the fact you did not have much support by this government or people in the government other than moral encouragement?

Mr. SECORD. Well, you know it varied from time to time. Sometimes it seemed like we were getting a little bit of support and other times it seemed like the CIA people had to draw back. I was impressed by how the CIA people we talked with and dealt with, particularly the chief in Costa Rica. I was impressed by how he really tried, and tried, and tried and tried to help.

I was a little depressed in that general guidelines did not emanate from headquarters to the field, on the program. It was my opinion that he could do this legally, but I guess I was wrong, and they concluded that legally they could not. So this was an expectation that I had that was never satisfied.

Mr. HATCH. Let me delve a little bit more into this profit motive problem. During this time you were engaged in this re-supply operation. In fact, during all this time, how were you paid? How did you live?

Mr. SECORD. How did I personally live?

Mr. HATCH. Right. You said you received $6,000 a month?

Mr. SECORD. Yes, from my Stanford Technology salary.

Mr. HATCH. Where did that money come from?

Mr. SECORD. Well, it came from——

Mr. HATCH. Did some of it come from these matters?

Mr. SECORD. It came from different sources. We had clients—when I started on this in 1984, we had clients that were paying us to market their products. But as I got more and more involved in this series of projects, our business became worse and worse, and as a result we lost nearly all of our business. That is where it stands today.

Mr. HATCH. Who made the payments after you lost the business?

Mr. SECORD. We made a loan agreement with CSF——

Mr. HATCH. That is the $400,000——

Mr. SECORD. My estimate was roughly $400,000 went in there. We will have to get a finer number there.

Mr. HATCH. OK.

Mr. SECORD. We received money from that source, and I received money to keep the company alive from Mr. Hakim's personal money.

Mr. HATCH. Did you have any other income coming in at all, other than the $6,000?

Mr. SECORD. Which year?

Mr. HATCH. During all the years involved from the time you first met North.

Mr. SECORD. OK. I received——

Mr. HATCH. Other than your retirement.

Mr. SECORD. I received three payments, commissions—two commissions and one fee from projects I worked on in supplying some radio equipment.

Mr. HATCH. Let me limit it to just the matters involved here. Did you get any monies out of these Iranian transactions or the Contra transactions that came to you from a personal income standpoint?

Mr. SECORD. No. I got it only from CSF and Hakim.

Mr. HATCH. Or other—if you had any additional income, it came from other business, unrelated?

Mr. SECORD. Yes.

Mr. HATCH. OK.

I have been concerned about Felix Rodriguez. Rodriguez became quite critical to your operation at one time and felt—maybe I am putting it indelicately—that the Contras were being ripped off?

Mr. SECORD. Yes.

Mr. HATCH. Why did he feel that way and what did you do about it?

Mr. SECORD. I think it was due to a misconception on Felix's part. I was not able to talk to him directly. I believed that he wanted control of the operation himself. He felt that he should have control of it and he believed that it belonged to the Contras—not just the Contras, but to the FDN, whereas it was actually a commercial operation in support of the FDN and the Southern Front.

So it was my hope that this little ado could be smoothed over when Felix came to Washington, I think it was in August of 1986, for a meeting with North and Dutton and with Gregg, Don Gregg. But that didn't work. It didn't work.

He believed, I guess, what he believed. And so he caused us some problems.

Mr. HATCH. All right. Was there any—was there any merit to his criticism and complaint?

Mr. SECORD. Well, some merit, of course. There is no doubt that we had a lot of problems with the airlift operation itself, with the airplanes. The airplanes were old airplanes, the only airplanes we could afford. We were trying to make them work.

Felix, I think, was more critical than he should have been. He's not a pilot but he was quite critical of the maintenance. I have been critical of the maintenance, too. In fact, I undertook to reorganize the entire project, which forced me to spend a lot more time on it than I had anticipated.

So there were certainly elements of truth in his criticisms, except as it related to the items of munition. As I say, those items were all shiny new.

Mr. HATCH. General, let me talk a little about some personal things in your life.

We have heard a great deal about your distinguished career. You graduated from West Point and served as a command pilot, you had 4,500 flying hours. You have been extensively decorated with the Distinguished Service Medal, the Legion of Merit, the Distinguished Service Cross; you served in Laos, Thailand, Iran and you were Deputy Assistant Secretary of Defense with responsibilities in the Mideast.

I understand you are married and have three children; is that correct?

Mr. SECORD. Yes, sir.

Mr. HATCH. And you live in McLean, Virginia; is that correct?

Mr. SECORD. Yes, sir.

Mr. HATCH. Are your children in high school, do they go to public or private schools?

Mr. SECORD. Public schools. I have one child who is a senior in high school and I have a daughter who is in college in D.C. and I have a daughter who is older and married.

Mr. HATCH. Now I'm going to ask you some personal questions. You can refuse to answer them if you would like.

What is your home worth?

Mr. SECORD. Beg your pardon?

Mr. HATCH. What is your home worth?

Mr. SECORD. The market value is roughly $290,000, I suppose.

Mr. HATCH. What is your mortgage on that home?

Mr. SECORD. Currently the mortgage—there are two mortgages on it. One is for——

Mr. HATCH. Just combine them. What is the approximate total mortgage, mortgages?

Mr. SECORD. $156,000. But I've also got refinancing underway now and that will probably be completed. All the papers have been signed and everything with the bank. That will probably be completed by, oh, hopefully another ten days. So that will increase the mortgage to over $200,000.

Mr. HATCH. So you really only have about a $90,000 equity in the house?

Mr. SECORD. As soon as I close on this new loan.

Mr. HATCH. What was your income in 1986?

Mr. SECORD. Excuse me?

Mr. HATCH. Approximately. I will accept approximations.

Mr. SECORD. Gross income should have been——

Mr. HATCH. I just want the net income.

Mr. SECORD. Sir?

Mr. HATCH. I just want the net income. You can give gross income. That will be fine.

Mr. SECORD. In 1986 it should have been $205,000.

Mr. HATCH. How about 1985?

Mr. SECORD. 1985, I think it was——

Mr. HATCH. That includes your pension money.

Mr. SECORD. Wait a minute. I gave you too much for 1986. I have to decrease that by—it is less than $200,000.

Mr. HATCH. OK.

Mr. SECORD. 1985, I have given you my returns, so I'll do it approximately.

Mr. HATCH. That is all I want, is approximate.

Mr. SECORD. $160,000.

Mr. HATCH. How about 1984?

Mr. SECORD. It was much lower in 1984.

Mr. HATCH. Approximately. I won't hold you to it. I just want to have a general approximation.

Mr. SECORD. Say $101, something like that.

Mr. HATCH. $101,000.

Did your net worth or personal lifestyle improve as a result of your involvement in the Contra/Iranian operations?

Mr. SECORD. It has not improved. It's deteriorated. My personal financial situation has gotten much worse recently. Of course, legal bills—as was pointed out earlier—are climbing.

Mr. HATCH. And they are ongoing and you haven't been paying them, I take it, at this point?

Mr. SECORD. My lawyer must be a philanthropist.

Mr. HATCH. You have a good lawyer.

Mr. SECORD. Very unusual for lawyers, right?

I really like lawyers. I do. I'm not slamming lawyers. Some lawyers.

Mr. HATCH. I can say that it has deteriorated somewhat. I would just like to say this to you. There are going to be some who feel that the $8 million in that account can be used for your benefit and there may be some question about the other 2.5 million, where that went. So I think it pays to clear these things up as much as you can.

But as far as you are concerned, what is going to happen with the $8 million?

Mr. SECORD. I don't know yet. There are bills, quite a few bills, to be paid. I can give you some examples.

Mr. HATCH. Give me some examples.

Mr. SECORD. Then Mr. Hakim will undoubtedly give some additional examples.

We owe an aeroleasing firm in Europe, I am told, about $60,000, something like that. We still owe the firm, Southern Air Transport, here in the United States, quite a bit of money. I think it is something just under $100,000. We can't pay them.

We have substantial debts owed to the shipping agent in Europe, associated with the ship. There is litigation going on on that right now. I have no idea where that is going to end up, but they have big claims. When I say big, they started out in the $300,000 range and it is climbing.

And then we have what I consider to be a moral obligation to pay death benefits to the families of the three men who were killed in the C-123 and we always set aside money for that purpose, as I testified to earlier.

Mr. HATCH. Who will make those determinations?

Mr. SECORD. We had a discussion between Mr. Dutton and I and Mr. Hakim at the time of the shootdown, and decided that we would pay a certain amount to the—as soon as possible to the survivors of all three. And I will be happy to tell the committee, but I really don't think I should publicly say how much it is.

It is substantial, though, that we have in mind.

Mr. HATCH. OK. Any other debts? That you know of?

Mr. SECORD. Those were the debts that I can think of. I haven't mentioned legal bills. As I said, they are climbing, too. But right now, I haven't been focusing on anything other than trying to get the debts paid.

What the residue will be when the accountants finish their work and when the bills are paid, I don't know.

Mr. HATCH. You are going to make a decision with regard to this waiver in the next number of days or weeks?

Mr. SECORD. Yes.

Mr. HATCH. With the counsel of your attorney?

Mr. SECORD. Yes.

Mr. HATCH. And I take it that you will be willing to make all of your other financial records available. You made most of them available as of right now; is that correct?

Mr. SECORD. Yes, but there may be some things the committee wants. I will furnish you whatever you want.

Mr. HATCH. When you listed those amounts for 1984, 1985 and 1986, did that include your pension?

Mr. SECORD. Yes. That included my pension.

Mr. HATCH. What does that amount to?

Mr. SECORD. In gross terms, it amounts to $41,000. There is quite an insurance payment that comes out of that, though, so I think I really realize something like $35,000.

Mr. HATCH. So, you are talking about a little less than $200,000, less $41,000, for 1986; for 1985, I can't remember the figure there, but less 41, for 1984, about 101, less 41?

Mr. SECORD. Yes. I think the retirement pay has been virtually level throughout that period.

Mr. HATCH. I see. Well, it looks to me—you are willing to provide all the pertinent financial information of your personal net worth and business net worth; is that correct?

Mr. SECORD. Yes, sir.

Mr. HATCH. Much of which—you have provided most of that?

Mr. SECORD. I think you have the bulk of it. I think the counsel may have some other ideas, some other items they want. I am not quite sure what that is.

Mr. HATCH. Within the next number of days, we will make a determination with regard to these accounts in Geneva, Switzerland, or wherever they are?

Mr. GREEN. A decision will be made promptly. I think there is just a reluctance to yield to theatrical presentations.

Mr. HATCH. I agree with that.

Mr. GREEN. We will consider this dispassionately. That is all it was. It was a push.

Mr. HATCH. I don't think you need to characterize it again. I think that you have indicated in good faith, you will take a look at that and do it. I would recommend you do that. To be honest with you, it looks to me like with all of the running around the world you have done, and being away from your family and putting these things together, it has been a pretty doggone thankless task, and frankly, you didn't get rich from it, although it remains to be seen what you will do with the $8 million and what happened to the other $2.5.

But nevertheless, I don't think anybody can make the claim here that you have gotten rich off of this. And frankly, I will be honest with you. One of the difficulties with your story is that—your unwillingness to take profits on the arms transfer.

In all honesty, I don't see any reason why you shouldn't have taken profits on it. You had every right to. To me, I will accept your story at face value that you wanted to come back into the government, you would have liked to have worked in security, and intelligence, and I will just say this:

If we assume everything you say here is true, sir, and we assume that you have testified candidly, I would have to say you make one heck of a good intelligence person, because there is no question about your intelligence, and there is no question about your ability to understand an awful lot of what intelligence is all about.

So, I want to compliment you for that. I just want to say this. I think that this has been very difficult for you, but you have a lot of respect for having voluntarily come in. I think both North and Poindexter would help their cause immeasurably, and they would help to elucidate and help to inform the American public about this thing if they would come in.

Let me just ask you just one or two last questions. I know I have taken too long, but on the other hand, I want to get these questions out.

You had intimate conversations and a very strong relationship with Oliver North over the last number of years; is that correct?

Mr. SECORD. They grew from a casual relationship in 1984 to a very strong relationship.

Mr. HATCH. That is right. Would you describe him for us, and tell us whether or not he has ever taken anything personally or financially out of this matter?

Mr. SECORD. I don't believe——

Mr. HATCH. If you know.

Mr. SECORD. I don't believe for a second Oliver North has ever taken a nickel out of any of this—out of any of this. He is one of the most hard-working, honest, dedicated officers I have ever known. He is nearly superhuman in his energy, and I have seen him work almost without sleep for weeks at a time.

He believed deeply in this President and this President's programs. He believed in the Contra cause, and he fully understood the strategic nature of the approach to Iran. I mean, we are always going to be criticized on the Iranian initiative, but I believe that Oliver North and I believe Admiral Poindexter as well were approaching it from the national interest point of view, from the strategic point of view, and they did not expect us to be in an arms-for-hostage scrap.

They expected to try to make a breakthrough. They didn't expect we had good chances, but they believed that we had some chances, and one seldom uses a covert operation when the odds—the possibility of success are high.

Usually, the probabilities of success are low going in. That is one of the tough things about covert ops.

Mr. HATCH. I have to admit when covert operations are successful, they go down in history as wonderful foreign policy initiatives. When they are generally exposed and break up, they go down as some of the dumbest things that have ever been done.

Mr. SECORD. Some of them are.

Mr. HATCH. Some of them are. And some would say this one is.

Mr. SECORD. It is arguable, Senator.

Mr. HATCH. Let me just ask you this: You have probably less than one day's time in Central America. Most of your experience has been in the middle of Europe, the Middle East, Southeast Asia. Why did you feel so strongly about doing all of this, being away from your family, and running all over the world and subjecting yourself and others to hazardous activities, taking the risks that you took, including the worries that you had about being able to foot the bills and pay the insurance and take care of people's families if they got killed.

Why did you do all of this? Why in the world would you do this? Some people are going to have to think the only reason you are doing this is for the money. Why would you do this? How do you feel about it?

Mr. **Secord**. First, I thought it would be a shorter-term operation than it was. My expectation was by the summer of 1986, the CIA would be back in the field. Of course, it took quite a bit longer than that.

Basically, my motivation springs from my belief that this is truly a—I don't like to overuse this word, strategic, but it is truly a strategic battle we see going on, not far south of our borders.

I was taught when I was a young cadet one lesson in warfare that I believe in strongly. That is, always fight as far forward as possible. I like to fight there, not here. I believed that the situation in the Caribbean Basin is absolutely wonderful for a communist insurrection in the spread of the Soviet threat from Nicaragua.

If we allow the Soviets to establish a firm, a firm hold in Nicaragua, then I think it is, "Katy, bar the door", and I have a young son who I don't expect—I don't want to see him on his way down to seize Managua. I think if we can pull it off with the Contras who have their own stake in this, after all, they are Nicaraguans, we ought to give them our firmest support.

Mr. **Hatch**. I think that is all I have.

Thank you.

Chairman **Inouye**. We have just concluded the primary questioning by the special panel designated by the select committees. We will now call upon other members of the two joint committees.

I would hope that we can limit our questioning to five or less minutes. But before we do, Mr. Secord, would you care to have a short recess?

Mr. **Secord**. If we could take just a couple of minutes, it would be good just to run around the corner.

Chairman **Inouye**. We will be in recess for five minutes.

[Recess.]

Chairman **Inouye**. I am pleased to call one of the Vice Chairmen of the Senate Select Committee, Senator Rudman.

Mr. **Rudman**. Thank you, Mr. Chairman.

General Secord, I have listened to your testimony now with everyone else here for three days and I would tell you in my view that your testimony concerning how you carried out the operation, how it started, the problems you had with it, your political and strategic views, your recounting of conversations with people has been very candid.

I must tell you that I have difficulty and have had particular difficulty today with your testimony on the financial information. That well may be because you don't have some of it. Or all of it. Or any of it.

The thing I am having difficulty with is that if I understand the partnership you had with Mr. Hakim, according to your testimony—and I have taken fairly extensive notes as you have been testifying—that although he was, if you will, the implementor, the treasurer so far as the money is concerned, that you directed Mr. Hakim as to the handling of each deposit and each expenditure, that you essentially controlled how those funds were handled.

Am I correct?

Mr. SECORD. That was my intention.

Mr. RUDMAN. I also got the impression, which may be inaccurate of your feelings, that as far as this transaction was concerned, you, I must say, had a rather casual interest in money, I must say, from looking at depositions and other facts the committee has, it would not appear—maybe that has been your lifestyle, maybe you have been that way all your life.

But Mr. Hakim certainly does not seem to be a person who generally would be described as having a casual interest in money. Would you say that is an accurate statement?

Mr. SECORD. He is a businessman now through and through.

Mr. RUDMAN. Let me go through, and I really am going to have very limited questions for you, General Secord. I think there has been ample testimony and cross examination. There are substantial conflicts in what you said today with what the other witnesses have said.

I don't know which is correct. I will not draw a conclusion as to which is correct. I expect before it is over, there will be a burden of evidence one way or the other and people will have to judge for themselves.

Let me just summarize three or four components to make sure that I have an understanding after that rather strenuous cross examination you underwent this morning.

First, I believe that you have said, and I believe the record shows, that the enterprise that you referred to, which was Lake, and a number of other related accounts that was the implementation of that enterprise, was funded mostly from surpluses generated by the sale of U.S. arms to Iran and donations that came into the account from various sources and in one instance, a payment made by the Israelis that was not returned to them by their choice; is that correct?

Mr. SECORD. Yes, sir.

Mr. RUDMAN. Secondly, you said that your enterprise was never intended from the beginning as a profit-making enterprise for you or for anyone else?

Mr. SECORD. No, sir. I hope I didn't say that. In the beginning, when we were dealing only on the brokering of arms for the Contras, it was a profit-making exercise. No doubt about it.

Mr. RUDMAN. And after that, when it became a—if you will—an agency of the U.S. Government, at least you thought you were, certainly you were called in to Admiral Poindexter's office, you didn't call him, he called you. From that point on, you did not consider this a profit-making venture; is that correct?

Mr. SECORD. I considered that profits would continue to be taken out of the arms procurement in the same fashion as the enterprise had done before, but except for that, no profits.

Mr. RUDMAN. Well, I wonder if you might—I wonder if you might explain that answer for me so I would fully understand it.

Mr. **Secord.** Yes, sir, because it is confusing. There were still some arms procurements made by the enterprise for shipment to El Salvador for dropping to the southern front, and the procurement of those arms, Hakim, Clines, et cetera, were to get their standard commissions, salaries, et cetera.

Mr. **Rudman.** All right. As to the really large surpluses generated by the Iranian arms sales, the differences between what the U.S. Government wanted, which it got, and that which the Iranian middlemen were charged and paid, that was never intended to be a profit-making venture?

Mr. **Secord.** Never.

Mr. **Rudman.** As a matter of fact, you said three times this morning, under cross examination, and I am generally paraphrasing you, but I think fairly, that any surplus generated was only intended to finance further operations by the enterprise; is that correct?

Mr. **Secord.** And to supply the Contras to the extent that we could.

Mr. **Rudman.** Oh, I understand that. As far as that is what I meant by the operations of the enterprise?

Mr. **Secord.** Of course. Then you are correct.

Mr. **Rudman.** There were two parts to the enterprise?

Mr. **Secord.** You are correct.

Mr. **Rudman.** And I want to come back to one point. There is no question whatsoever, but is that as far as you were concerned in this enterprise, you controlled or did control Mr. Hakim's handling of the finances. You told him what to do and he did it?

Mr. **Secord.** I told him where to make disbursements to and when to make them.

Mr. **Rudman.** All right. Now would you agree with me now to state the obvious that the enterprise is now over?

Mr. **Secord.** Yes, sir.

Mr. **Rudman.** I guess we can all agree on that?

Mr. **Secord.** Yes, sir.

Mr. **Rudman.** You also testified during one of the more intense parts of cross examinations this morning that no United States official had ever laid claim to the $8 million or whatever the net amount is after expenses; isn't that correct?

Mr. **Secord.** That is correct.

Mr. **Rudman.** You testified both in deposition and here today that there were bills to be paid, and my understanding is that those bills, including the debt benefit, which I am aware of, are less than $500,000 according to your own testimony, although it is possible that Mr. Hakim may have some other bills that you are unaware of.

I understand that. But at least we are talking somewhere in the vicinity of $6 to $7 million that will be left when that is done.

Do you agree with that?

Mr. **Secord.** It is entirely possible. I don't know what the nature of Hakim's bills might be, and I don't know about this litigation of the ship.

Aside from those two uncertainties, your arithmetic seems accurate.

Mr. **Rudman.** You also have the ship which is worth something?

Mr. **Secord**. That has been seized.

Mr. **Rudman**. It has been seized, but at some point there will be some payment possibly from that ship.

Mr. **Secord**. I don't think so.

Mr. **Rudman**. We are certainly talking $5, $6, $6.5, maybe as much as $7 million. That is a fair statement, isn't it?

Mr. **Secord**. It seems logical to me.

Mr. **Rudman**. All right.

The operations over, you have testified repeatedly that you direct Hakim—the money is frozen. We all understand that.

I consider I am probably a U.S. official. I would like to ask you a question. I believe this committee can make arrangements within 48 hours, have the United States assert claims in those accounts that we are aware of.

Will you direct Mr. Hakim to do the same and return all of those funds to the Treasury of the United States? Will you cooperate with this committee to that end?

Mr. **Green**. Indulge us one minute.

Mr. **Rudman**. After you have paid your lawyer, Mr. Secord.

Mr. **Green**. If you make that a first priority, it might facilitate this decision.

Mr. **Secord**. Of course, as you might imagine, we have talked about this question. We expected to get a question of this nature.

Mr. **Rudman**. I am surprised it wasn't asked before now, but we would sure like an answer. I am going to stick with you until we get some idea of what your answer is in a definitive way.

Mr. **Secord**. It is a fair question.

Mr. **Rudman**. I would say so.

Mr. **Secord**. It is a difficult situation I find myself in. I told you I am in a precarious financial situation. I don't want to prejudice any claim Mr. Hakim is going to make. He is going to be here, I am told, in a few days.

Mr. **Rudman**. We will see about that. We certainly hope so, but he is, of course, not within our reach.

Mr. **Secord**. But he will be very shortly. I am informed that he will be.

Mr. **Rudman**. Good.

Mr. **Secord**. And I want to confer with him as soon as he gets here with counsels, and continue with the auditing of these accounts, find out what is there, find out what claims he might wish to assert, and then we will come back to you with the firm position.

I don't want to stake out a position right now, but I will tell you one of my options is to stake out no position, and I beyond that I can't go right now.

Mr. **Rudman**. Well, if Mr. Hakim does appear here he will be asked a question.

We have a list of the bills that we believe are presently legitimate. Mr. Hakim might even claim additional bills. He might even claim he is entitled to a profit, which well may be.

That is, I believe, in the free enterprise system. He may claim he is due some money, but I don't think, General, that this Government, whose goods were sold and who this money rightfully belongs to, ought to be deprived of the major share of those funds when those claims are paid.

Do you agree with that?

Mr. Secord. I personally agree with you, Senator.

Mr. Rudman. And then you will assist us once we get Mr. Hakim before us, to that end?

Mr. Secord. Yes, sir.

Mr. Rudman. Thank you very much, General Secord, because I can assure you since those funds were frozen by order—by the Swiss government, at the request of the U.S. Government—that I will ask the chairman, both chairmen later on today, tomorrow, to communicate the committee's feelings.

We may even want to take a vote on it afterwards and move vigorously ahead to at least claim the money. Let's settle that question as to who made what money. At least we will know nobody made that six or eight million, General Secord.

Mr. Green. If I may be heard.

Chairman Inouye. Please.

Mr. Green. I think General Secord has given eloquent testimony to his sentiments, and what he has said is his position.

But speaking as one who advises him, there may be claims upon this money that he has no control over, and we don't know in which forum or in what type of forum those claims will ultimately have to be adjudicated.

And I, on behalf of General Secord, feel that in calmer moments, because this is a very stressful appearance, he should have the ability to think through whether or not he is entitled today, in light of what has happened, in light of what has happened to this program, to more than the grief he has suffered, and whether in retrospect he has some claim for some fair compensation for all of his efforts out of those funds.

And I think I say openly and honestly that we are prepared to negotiate with the various claimants about that, and what I am essentially saying is what I think my client has said—that he stakes out no firm position or entitlement to those funds at this time.

Mr. Secord. Could I add—I don't want to be misunderstood—I understand counsel's position. He is trying to protect my interests as he perceives them legally.

But I have no interest in taking any profit out of this $6 million or $8 million or whatever it is. I have an interest in my company getting whatever reimbursement the accountants believe are due to it and the other things I have talked about, paying the legitimate bills.

Beyond that, I have no interest in it. I will help in every way I can to get the money back.

Mr. Rudman. General Secord, I thank you very much.

I figure there is no more than 5,000 or 6,000 claims. Mr. Hakim probably has some others we don't know about. He may re-assert a claim. You may reconsider and assert a claim. That is your right. But there is going to be an awful lot of money left.

Being one who is very interested in getting the Federal budget down, General Secord, every last dollar counts.

Chairman Inouye. I am pleased to recognize the Chairman of the House Select Committee, Congressman Hamilton.

Chairman Hamilton. Thank you very much, Mr. Chairman.

I am aware of your concerns about time, so I will try to be brief, and General, I want to say to you that I do appreciate the fact that you have appeared without immunity. That has been helpful to the committee, and I want you to know of our appreciation for it.

Let me direct your attention to this question of diversion again, if I may. Did you ever discuss with the Director of Central Intelligence the use of funds generated from the arms sales for the Contras?

Mr. SECORD. No, Mr. Chairman.

Chairman HAMILTON. You testified the other day at this third meeting with the Director which took place in May, I believe, of 1986, that Colonel North was there and that he talked a lot about the Contra funding shortage problem, and that Mr. Casey said at that time that he did not share the view that the Congress would pass a new funding bill. And you were all concerned about the critical shortage of funds for the Contras.

And at that time, if I am not mistaken, there were funds from foreign governments, from donations, from Iran sales, and in that context you did not mention—and Colonel North did not mention—the fact that some of these funds might be diverted to help the Contras who were struggling so much.

You were re-assessing the situation at that time, and that did not come up?

Mr. SECORD. It did not come up, Mr. Chairman.

Chairman HAMILTON. Did you ever discuss with any official of the U.S. Government the diversion of monies from the Iran arms sales to the Contras?

Mr. SECORD. Yes. Colonel North. Directly only with Colonel North. I was aware Admiral Poindexter knew about it.

Chairman HAMILTON. And were you aware that any other official of the government knew about it?

Mr. SECORD. No, Mr. Chairman.

Chairman HAMILTON. Did it ever seem strange to you that such a remarkable decision would be made to divert these funds to help the Contras on the basis of the word of a colonel in the National Security Council?

Mr. SECORD. Well, my testimony was not that he is the one who made the decision. He was urging us to do this, and we did do it.

Chairman HAMILTON. Do you know who made the decision?

Mr. SECORD. I made the decision to do it. I was the one who was in control.

Chairman HAMILTON. Did he request you to make the decision?

Mr. SECORD. Yes.

Chairman HAMILTON. And did you ask him where he got the authority to make that request?

Mr. SECORD. No, I did not.

Chairman HAMILTON. You just did it at his request?

Mr. SECORD. That is right.

Chairman HAMILTON. Who was it that suggested that a second C-123 aircraft be purchased for the airlift operation?

Mr. SECORD. I don't remember.

Chairman HAMILTON. Was it your suggestion?

Mr. SECORD. I really don't remember. We wanted to purchase a number of airplanes as funds became available. I really don't remember.

Chairman HAMILTON. Was the purchase approved by Colonel North?

Mr. SECORD. He knew of it, and we told him we were going to do it.

Chairman HAMILTON. Did he ask you to do it?

Mr. SECORD. He may have. I don't remember, Mr. Chairman.

Chairman HAMILTON. You don't remember anybody else——

Mr. SECORD. He asked me a lot of things, and that might have been one of them.

Chairman HAMILTON. You would not have done it without his asking, would you?

Mr. SECORD. Yes, I think so. If we found the money, we needed another 123. The Caribous were just awful. They weren't working out.

Chairman HAMILTON. When it was done, you did it with the knowledge Colonel North approved of it?

Mr. SECORD. Yes. He urged us to fix that system. He was constantly complaining to me that we weren't doing a good job.

Chairman HAMILTON. There was an addition constructed to the warehouse at that base for the airlift operation. That is correct, is it not?

Mr. SECORD. Yes, that is correct.

Chairman HAMILTON. Did Colonel North approve the construction of that addition?

Mr. SECORD. Yes, he was in favor of it.

Chairman HAMILTON. Did he approve the construction of any other addition there?

Mr. SECORD. I don't know if he even knew about the construction we did on the tarmac. We did a hard stand parking area, a small one.

Chairman HAMILTON. But you certainly did that with the belief that he would have approved it?

Mr. SECORD. Definitely, yes, but I don't recall discussing it with him.

Chairman HAMILTON. All right.

Now, in December of 1985, did Colonel North ever direct you to advance operational expenses for the airlift operation and the air strip construction to Richard Gadd?

Mr. SECORD. No. I am the one that picked Gadd.

Chairman HAMILTON. I am sorry. I didn't hear.

Mr. SECORD. No, I am the one who picked Gadd.

Chairman HAMILTON. No, but did Colonel North direct you to advance operational expenses for the airlift operation and the airstrip construction to Richard Gadd?

Mr. SECORD. I don't recall him ever directing me to do anything like that. He may have asked me to do it.

Chairman HAMILTON. And if he asked you to do it, did you comply?

Mr. SECORD. I don't remember. I don't remember that detail.

Chairman HAMILTON. Building an airstrip construction—you don't remember that detail?

Mr. SECORD. Of course I remember that, yes.

Chairman HAMILTON. Who asked you to do that?

Mr. SECORD. My recollection was the decision to do that was before the date you gave me. I believe you said December 1985.

Chairman HAMILTON. Who asked you to do it?

Mr. SECORD. We talked about it a lot. It was my idea. We had to have some facility in Costa Rica, and North was talking with the ambassador down there, and I believe also the senior CIA field officer, and came up with this area and asked me to get in touch with the owner, whose name he gave me.

He got that information from the U.S. officials in Cost Rica, I believe.

Chairman HAMILTON. So you and Colonel North came to a decision to do it. Is that a fair statement?

Mr. SECORD. Yes, that is fair.

Chairman HAMILTON. Did Colonel North ever ask you to develop or generate a list of secret codes for the airlift operation?

Mr. SECORD. Voice codes for the telephone, you mean?

Chairman HAMILTON. The secret codes, yes. Did he ask you to develop that?

Mr. SECORD. We developed a number of lists over a period of time. None of them were very satisfactory.

Chairman HAMILTON. "We" there is you and Colonel North?

Mr. SECORD. I don't know if he was involved in the development of it or not. I can't tell you, but we did have a number of lists we used. Mr. Gadd was involved in that, as well.

Chairman HAMILTON. Your initial plan was to have, as I recall your testimony, non-American crews fly the missions into Nicaragua. Was that your testimony?

Mr. SECORD. I don't recall testifying to that. I said it was an objective.

As a matter of fact, my recollection is that at the beginning we did talk about it, doing it that way, but then decided it was just too hard initially to do that, and then I arranged to contract for three foreigners later in the operation.

Chairman HAMILTON. Did you finally use American crews?

Mr. SECORD. Yes.

Chairman HAMILTON. Did Colonel North authorize the use of American crews to fly into Nicaragua?

Mr. SECORD. No, he did not.

The reason why we felt comfortable in using American crews is because we had a legal opinion on the Neutrality Act. The reason I didn't want to use American crews if I could avoid it, sir, was because I was afraid of what would happen if one of them were captured. You know, the spectacle we underwent when Hasenfus was captured is what I was afraid of.

Chairman HAMILTON. I think you mentioned an airstrip was constructed in this country, did you not?

Mr. SECORD. In Costa Rica.

Chairman HAMILTON. Did you or did Colonel North obtain the permission of the host country to allow the construction of the airstrip?

Mr. SECORD. There was coordination with the embassy who were in contact with the——

Chairman HAMILTON. Coordination with the United States embassy?

Mr. SECORD. The U.S. Embassy.

Chairman HAMILTON. Was that the ambassador?

Mr. SECORD. I believe the ambassador and the senior CIA field man, both were involved, and they in turn were coordinating with the appropriate foreign officials.

Chairman HAMILTON. Who got the permission of the host country to allow the construction of the airstrip? Did the ambassador?

Mr. SECORD. Either the ambassador or the senior CIA field man or both, I am not sure what the answer is.

Chairman HAMILTON. In any event the U.S. Government gets the permission?

Mr. SECORD. yes.

Chairman HAMILTON. Now, a number of times in your testimony you referred to the guidance that you got from Colonel North. Did you ever refuse any substantial request that Colonel North made?

Mr. SECORD. Well, the one that I was pretty heavily cross-examined on earlier this afternoon, I suppose, is the most notable example.

Chairman HAMILTON. But basically Colonel North called the shots for this operation, didn't he?

Mr. SECORD. I suppose that an objective analysis could reach that conclusion. I never felt that way. I felt that I was in control of our operation, and I felt that I was the general, the guy who was responsible ultimately and the guy who was in control, but I relied heavily on Ollie North for assistance and for guidance.

Chairman HAMILTON. Did you ever say that the operation was run at the direction of the White House to your people or to anyone else?

Mr. SECORD. No. I have been told that some people thought that I said that, but I can't remember ever saying it. I won't say it because I didn't feel that way.

Chairman HAMILTON. But you did feel that an objective analysis—you say that that could be stated.

Mr. SECORD. That is arguable, yes.

Chairman HAMILTON. I was curious. In one of your comments you said, as I recall, that your view was that the Iranian Government never agreed to release all the hostages. Do I remember your testimony correctly?

Mr. SECORD. Yes, sir.

Chairman HAMILTON. But many U.S. officials did believe they agreed to that, did they not?

Mr. SECORD. That is the way it turned out. I was a little bit surprised.

Chairman HAMILTON. And can you explain the difference?

Mr. SECORD. Well, I can't explain the difference. In talking to North about this problem, he told me that there had been a number of discussions that it wasn't involved in. Of course, I knew that. There had been meetings in Europe with Ghorbanifar that I had not been involved in. There had been numerous phone conversations with Mr. Nir and North, but my—I found it more than a little bit strange because my view was, since the people wanted to refer back to the Frankfurt meeting with the Iranian representative from the prime minister's office in February, from which this meeting sprang, the meeting in May went on.

I always like to refer back to that meeting because I didn't regard any information you might have gotten from Ghorbanifar after that meeting as being necessarily accurate, and so my point was insofar as I knew the Iranian Government—I wasn't in the main meeting I was debriefed on. The Iranian Government had not agreed to any such simultaneous release.

I found it, quite frankly, difficult to believe——

Chairman HAMILTON. Just one final question, General Secord. I think you said once—maybe more than once, that you felt the Iranian initiative had come to an end, almost an impasse. What, in your view, got it started again? What, in your view, kept driving it forward?

Mr. SECORD. Well, you are asking me for my opinion.

Chairman HAMILTON. Yes.

Mr. SECORD. And I give it in good spirit, but you know, I may be wrong. I think there were two basic factors at work here. Once was a tremendous concern in the White House, from the President on down, about the faith of the American hostages being held in Lebanon, and I think this concern sprang from criticisms made some years previous about a different administration, which I was also involved in deeply. So I can remember that.

Secondly, I think that the Israeli Government has a strong interest in the United States being able to somehow gain and maintain some sort of relationship with Iran for their own interests which don't necessarily converge with ours.

I recognize that, and I know the reasons why the Israelis have such strong feelings and feel that they have vital interests at stake. I don't need to describe the Israeli interests for this committee, I don't think. I believe because the Israelis did have these interests they reexamined the whole matter.

They believed that it failed earlier for a number of reasons, whatever their calculus was. They put together a new team, if you will, under Mr. Nir, working directly out of the PMS office and came to Washington in very early January and made a new proposal for a new start, and I think that the two—these two factors account for the President's decision to start up this initiative.

Chairman HAMILTON. Thank you, General. Thank you, Mr. Chairman.

Chairman INOUYE. Thank you.

Senator Mitchell.

Mr. MITCHELL. General Secord, in response to questions by Mr. Nields, you described your approach to an official of a foreign government for a donation to the Contra effort, and you said that it was the only time you approached any foreigner for a donation. Do you recall that testimony?

Mr. SECORD. Yes, sir.

Mr. MITCHELL. You were aware that donations were being solicited, indeed some sum of money from some donations found its way into accounts under your control?

Mr. SECORD. Yes, I was aware of that.

Mr. MITCHELL. Did you ever participate in or were you ever present at any activity involving donations, either solicitation or thanking contributors or briefing past contributors or potential contributors?

Mr. SECORD. I don't remember being in on any such meetings.

Mr. MITCHELL. Did you know who was soliciting contributions and from whom solicitations were being made?

Mr. SECORD. The only source of information that I had on that was Colonel North, and sometimes he would tell me something about it and other times he would not.

For instance, I didn't know the source of one of the donations until I saw it annotated in the records here the other day. But I was told by him on one occasion about a particular foreign country, which the committee is aware of, that would be making a donation.

He told me about that, although when I asked Hakim about the details of the wire transfer, they had marked it, they had relayed the money through one or more intermediate banks so that we couldn't, at our banking level, know where the money came from. But I believe it was accurate—accurate information.

Mr. MITCHELL. So you yourself never participated in any such activity?

Mr. SECORD. I did not.

Mr. MITCHELL. Would you tell us, please, whether anyone other than Colonel North described such activities to you?

Mr. SECORD. I don't believe General Singlaub ever mentioned any specifics to me, but I believe that North said to me that General Singlaub was making some solicitations on behalf of the Contra overseas and in the United States.

Mr. MITCHELL. Other than his references to General Singlaub and to the foreign country to which you earlier referred, did Colonel North ever say anything else to you about those solicitations?

Mr. SECORD. Only very late in the game with respect to the big donation, the missing $10 million that's been in the press so much. For a long time, for many weeks, from the time he first told me to be looking for this—and I think actually, by the way, my recollection is that he told me to be on the lookout for the first $3 million and then raised that number at a later date to $10. My memory may be faulty on that, but it is kind of lodged in there that's what he said.

And this went over a period of weeks and weeks and weeks that we were supposed to be expecting, you know, a sizeable donation. At first I didn't know where it was coming from, and he didn't tell me. He kept it quite quiet.

But then he finally, for whatever his reason, he did tell me where it was coming from. Maybe he thought I could trace it. Of course, you can't trace something you don't have. He did tell me the name of the country, which is known to the committee, I believe. And he also told me they had been solicited by a member of the State Department.

Mr. MITCHELL. But you had no information from Colonel North or any other source about the solicitation of American citizens for that purpose?

Mr. SECORD. No.

Mr. MITCHELL. All right.

On another matter, you testified also in response to Mr. Nields' questions regarding the inscription devices provided to you and your enterprise. Will you tell us again, please, how many were there?

Mr. SECORD. I would have to do the same count I did the last time. I didn't write the number down.

Mr. MITCHELL. Tell us approximately.

Mr. SECORD. I think in our system we had six operational and usually one or two in the system to replace burned out units.

Mr. MITCHELL. Who provided them to you?

Mr. SECORD. Colonel North.

Mr. MITCHELL. Did you pay for them?

Mr. SECORD. No. They were on loan to us and they had been returned.

Mr. MITCHELL. They were on loan to you?

Mr. SECORD. Yes.

Mr. MITCHELL. Was any fee paid for their use?

Mr. SECORD. No.

Mr. MITCHELL. Do you know how much those items of equipment cost?

Mr. SECORD. No.

Mr. MITCHELL. On another subject, you testified about the meeting that you had with Colonel North following the public announcement, the disclosure, in a hotel room, and you have testified about the telephone calls that Colonel North received from the President and the Vice President.

Mr. SECORD. Yes, sir.

Mr. MITCHELL. Will you tell us, please, what was said at that meeting, other than with respect to the telephone calls?

Mr. GREEN. That would implicate attorney-client privilege. I was there as counsel to both men at the time, and that would be covered by the privilege.

Mr. MITCHELL. Is it your contention, counsel, that any conversation that General Secord had where you were present is therefore part of attorney-client privilege, whether or not you participated in the conversation?

Mr. GREEN. Yes, that is my contention—I was participating in the discussions and it would be impossible to bifurcate out discussions, and I consider the contents of those sessions were privileged, other than the kind of third-party situations that have been testified to here today.

Mr. MITCHELL. Is it your contention, counsel, a statement made to General Secord by a third person is subject to the attorney-client privilege merely by virtue of your presence?

Mr. GREEN. We are talking about calls received by outside individuals. They have been essentially testified to.

Mr. MITCHELL. I am not talking about that.

Mr. GREEN. Let's define who the third persons are. We are talking about Mr. North and General Secord, and those conversations which were had as between the three of us I consider to be privileged.

Mr. MITCHELL. Including statements made by Colonel North to General Secord in your presence?

Mr. GREEN. I do consider——

Mr. MITCHELL. You regard that as privileged?

Mr. GREEN. I consider that to be privileged and to be covered under the privilege, yes, I do. I was acting as counsel to both men at that time.

Mr. MITCHELL. You were acting as counsel to Colonel North at that time?

Mr. GREEN. I was.

Mr. MITCHELL. Is it your contention, then, that conversations between two clients of yours—not you speaking, but the clients speaking to themselves—are subject to the attorney-client privilege?

Mr. GREEN. Yes.

Mr. MITCHELL. Was there another person present at that meeting, or just the three of you?

Mr. GREEN. There was just us.

Mr. MITCHELL. Just the three of you, Mr. Green, General Secord and Colonel North?

Mr. GREEN. Yes, sir.

Chairman INOUYE. May I interrupt at this point. If Mr. Green wishes to testify, I will have to place you under oath, sir.

Mr. GREEN. I do not wish to testify. I'm invoking the privilege on behalf of the Chair. Please consider my remarks as addressed to the Chair.

Mr. RUDMAN. I would like to make an inquiry of the Chair in response to Mr. Green. I will rely on counsel for House and Senate.

It is my understanding, even if the attorney, Mr. Green, were in the room and representing both parties, that does not invoke the privilege as to privileges between those two parties, not with their lawyer.

I would like the Chair to maybe hear from Mr. Liman and possibly Mr. Nields, or maybe they want to confer. It is my understanding that would not be the privilege, as I understand the privilege, and I think I understand it.

Mr. GREEN. I don't think we are—Mr. Chairman, I don't believe we are going to be able to resolve this in an informal situation such as this. It is my position those conversations are privileged.

Mr. MITCHELL. Does your position extend to any conversation in which your client participates in your presence? Just so you understand now, is the fact that Colonel North was a client of yours at the time as well as General Secord, the basis of your claiming the privilege? Or, is it merely that General Secord was your client at the time?

Mr. GREEN. Both. Shall I direct that to the Chair? Both.

Mr. MITCHELL. Then if your client participated in the conversation with the person who was not your client, you would not deem that as a privileged communication.

Mr. GREEN. Such matters have been testified to here already by General Secord.

Mr. MITCHELL. So your allegation is based on the fact Colonel North retained you as his counsel?

Mr. GREEN. I was acting as his counsel at that time, sir.

Mr. MITCHELL. When did he retain you as his counsel?

Mr. GREEN. I would consider that I began to provide legal advice to Colonel North in the preceding week.

Mr. MITCHELL. What day?

Mr. Green. I would have to look at a calendar.

Mr. Mitchell. Did Colonel North call you and ask you to represent him?

Mr. Green. I believe that is privileged.

Mr. Mitchell. What time did you discontinue your representation of Colonel North?

Mr. Green. I believe that is privileged.

Mr. Mitchell. Are you still representing Colonel North?

Mr. Green. No, I am not, sir.

Mr. Mitchell. Did you ever submit a bill to Colonel North for legal fees?

Mr. Green. I believe that is privileged.

Mr. Mitchell. So you are claiming you represented him at the time but you will not tell the committee when you discontinued your representation or whether you ever charged him a fee for those services, yet that is the basis of your claim of privilege?

Mr. Green. I believe that that information is privileged. That is the position I wish to assert at this time, sir.

Mr. Mitchell. General Secord, I will ask you one more time, then, merely to get the record clear. Will you tell this committee what conversation occurred between you and Colonel North on the meeting you had in the hotel in Virginia following the public disclosure of these events?

Mr. Green. Indulge me one minute, please.

Mr. Secord. Mr. Chairman, may we confer for just one minute?

Mr. Mitchell. Go ahead. Go ahead.

General Secord?

Mr. Secord. Counsel advised me that I can't really respond to that question because of his attorney-client privilege.

Mr. Mitchell. May I ask you, General Secord, how did the meeting originate? How did you come to meet in that hotel room with Colonel North and Mr. Green?

Mr. Secord. Well, I testified earlier that I had had, I think, two phone calls from Mr. North that morning or one from him and one from his assistant and I told him that we were moving out. I was moving out of my office and I was going to be meeting with my attorney who was returning from another meeting, which I described earlier, and he said, "Fine, I will be there at such and such a time." It was the afternoon.

Mr. Mitchell. Did he ask you to meet with him or did you ask to meet?

Mr. Secord. I think he said I will be there. That is why he asked me where I was going to be.

Mr. Mitchell. Were your conversations with Colonel North for the purpose of providing information to Mr. Green so that you could obtain legal advice from him?

Mr. Secord. Yes.

Mr. Mitchell. That was the purpose of the meeting?

Mr. Secord. And to discuss the—to discuss the stunning announcement that had just been made.

Mr. Mitchell. My question is was the purpose of those conversations that you had with Colonel North at that time to obtain information to give to your counsel for the purpose of seeking legal advice from your counsel. Is your testimony here now that that was the purpose of those conversations and of that meeting?

Mr. **Secord**. I'm not sure, sir, that I understand that question.

Mr. **Mitchell**. Was the purpose of your meeting with Colonel North at which Mr. Green was present, to, through conversations between you and Colonel North, develop information to provide to your counsel so that you would be—in seeking legal advice from your counsel?

Mr. **Secord**. That was part of it, yes.

Mr. **Mitchell**. What was the other part of it?

Mr. **Secord**. We were discussing the event that had just taken place, the great surprise of it.

Mr. **Mitchell**. Then with respect to your discussion of the events unrelated to seeking information to provide—to present to your counsel, would you tell us what that conversation was?

Mr. **Green**. Indulge us one moment, please.

Mr. **Mitchell**. Yes. Right

Mr. **Secord**. I'd be happy to tell you what my recollection of it is. I have to tell you that I was also very concerned and agitated, as I have testified earlier. My recollection is that the discussion talked only about the events of that day, how terrible it was, it was punctuated by the two phone calls, and that is all that was discussed—didn't discuss anything of substance. It was just a hand-wringing session.

We were terribly, terribly sad and unhappy, and alternatively mad and so on.

Mr. **Mitchell**. Well, you characterized the remarks. Could you tell us what was said, as opposed to describing them as hand-wringing?

Mr. **Secord**. No. I can't tell you, Senator, what was said. I just can't remember. It was just a confused hand-wringing session where we were saying, you know, now what, what are we going to do now.

Mr. **Mitchell**. In the course of that conversation did Colonel North make any reference to you regarding—either before or after the phone calls—regarding any conversations he had had with the President?

Mr. **Secord**. No. Only the phone calls.

Mr. **Mitchell**. And the remainder of your conversation was the privileged part you are talking about, which you choose not to tell us about here today?

Mr. **Secord**. Yes.

Mr. **Mitchell**. Is that correct?

Mr. **Secord**. Yes.

Mr. **Mitchell**. Let me shift to another matter.

You said you attended a meeting in Frankfurt which was taped surreptitiously?

Mr. **Secord**. Yes, sir.

Mr. **Mitchell**. Who taped it?

Mr. **Secord**. The CIA.

Mr. **Mitchell**. Do you know what happened to the tape?

Mr. **Secord**. No, sir. I didn't have it.

Mr. **Mitchell**. Back to the CD set aside for insurance. I won't replow that ground.

Were there documents prepared in connection with the setting aside of those CDs to establish the purpose for which the funds were set aside?

Mr. SECORD. No. But I informed Mr. Nir and I am sure at some point he will verify that.

Mr. MITCHELL. You informed, but did you—in other words, you put the money in the CD, Hakim did, it was for that purpose, you told Mr. Nir that, and basically they trusted you?

Mr. SECORD. Yes.

Mr. MITCHELL. They had no way of knowing whether you actually put money in a CD for this purpose?

Mr. SECORD. No. But he accepted my word.

Mr. MITCHELL. When you put it in the CD, was there any limitation in connection with a deposit that evidenced its purpose?

Mr. SECORD. Not that I know of.

Mr. MITCHELL. So insofar as the transaction between Mr. Hakim and the receiving institution, it was merely the purchase of a CD for the face amount?

Mr. SECORD. Exactly.

Mr. MITCHELL. Insofar as your dealings with the Israelis, it was merely your telling them that you had done this for that purpose?

Mr. SECORD. Yes, sir.

Mr. MITCHELL. If the plane, in fact, had been lost, there was no basis for any Israeli claim to their funds other than what you had told Mr. Nir; is that correct?

Mr. SECORD. That is correct, but he would have asked me for the money.

Mr. MITCHELL. Right. Right.

You testified that you had three face-to-face meetings with Mr. Casey, who was then director of the CIA.

Mr. SECORD. Yes, sir.

Mr. MITCHELL. At which, I believe you said, you complained about some of the problems that your enterprise was facing.

Mr. SECORD. Only once.

Mr. MITCHELL. Only once?

Mr. SECORD. Yes.

Mr. MITCHELL. Did you at any time either receive directly or indirectly from Mr. Casey a response to your complaints?

Mr. SECORD. No, sir. He always said that he would—he said he would look into those complaints. He did not get back to me. He was under no obligation to get back to me.

I thought I had accomplished my purpose. I went in there and threw a grenade on the floor, so to speak, and then left. He gave me no assurances, and I didn't have a feeling when I left there that I was going to get any support.

Mr. MITCHELL. All right.

You testified yesterday that you believe Oliver North to be an honorable and truthful man. You spoke admiringly of him. Yesterday you also testified in response to a question by Mr. Nields that North told you that he, North, had told the President that it was ironic that the Ayatollah's money was being used to help the Contras.

You said yesterday that you did not take that as a joke.

Today in response to a question by Mr. DeWine, you said that you were skeptical of that statement by Colonel North.

Mr. SECORD. Yes, sir.

Mr. MITCHELL. Which I take to mean that you disbelieve what Colonel North was telling you.

Mr. SECORD. I can't say that I disbelieved it. I was reserved about it. I was skeptical about it. It just didn't seem right to me.

And I had some question about it. I didn't know what the nature of their relationship was. I had never been in any meeting with them. It seemed a little too casual or cavalier to me.

Mr. MITCHELL. You said when Mr. DeWine asked you why you were skeptical, I don't know if I got very word precisely, you said it didn't seem like something that was said in front of the Commander in Chief.

Mr. SECORD. Yes. That is what I said.

Mr. MITCHELL. Have you since January 1981, been in front of or in the presence of the Commander in Chief, the President of the United States?

Mr. SECORD. Since January? Yes.

Mr. MITCHELL. You have been with the President since that time?

Mr. SECORD. Yes.

Mr. MITCHELL. In connection with any of these events which are the subject matter of this——

Mr. SECORD. No. Only on the matter pending at that time in 1981, of the sale of military equipment.

Mr. MITCHELL. I see. How long did that meeting occur?

Mr. SECORD. It was with Mr. Allen who was National Security Adviser at the time. It was only a few minutes. I don't know the President.

Mr. MITCHELL. You don't——

Mr. SECORD. I have great respect for the President.

Mr. MITCHELL. As we all do.

Mr. SECORD. I just think it would be highly unusual for that kind of reparte to take place.

Mr. MITCHELL. But you have no basis, no personal basis for making a judgment as to what might or might not be said in the President's presence by Colonel North or anyone else?

Mr. SECORD. None.

Mr. MITCHELL. That is the only reason you are skeptical? It doesn't sound like the kind of remark one would make to a President of the United States?

Mr. SECORD. That is what I was trying to say earlier.

Mr. MITCHELL. You also said yesterday that you wanted the President to make a candid speech and, in fact, you prepared such a speech; is that correct?

Mr. SECORD. Yes, sir.

Mr. MITCHELL. Did you include in that speech a statement describing the manner in which the funds from the sale of arms to Iran were used to provide military assistance to the Contras?

Mr. SECORD. I don't believe so.

Mr. MITCHELL. In retrospect, do you think a speech about this matter which left out that essential fact could be called candid?

Mr. SECORD. No.

Mr. MITCHELL. Finally, just one more question, Mr. Chairman.

You discussed yesterday the problem that occurred when $15 million was deposited in the account to be the sum paid for certain spare parts and then when the hostages were not released, Mr. McFarlane canceled delivery of the spare parts?

Mr. SECORD. Yes.

Mr. MITCHELL. You recall that circumstance?

Mr. SECORD. Yes.

Mr. MITCHELL. You then describe your own efforts to complete the transaction, to have the parts delivered to Iran in part because you had already spent part of the money?

Mr. SECORD. No. I didn't try to get them delivered.

Mr. MITCHELL. You didn't?

Mr. SECORD. No.

Mr. MITCHELL. Did you attempt to get the deal completed?

Mr. SECORD. No. In no way.

Mr. MITCHELL. I assume——

Mr. SECORD. There were efforts between Mr. Nir and Mr. Ghorbanifar and Colonel North to get the deal completed.

Mr. MITCHELL. To get the deal completed?

Mr. SECORD. But I was never involved in those discussions.

Mr. MITCHELL. Do you know what the reason was for their attempt to get the deal completed?

Mr. SECORD. They felt that this was the only channel they had through Ghorbanifar and that they had to continue to pursue it and had to try to get at least one hostage, if they couldn't get them all.

Mr. MITCHELL. Mr. Ghorbanifar was then a private citizen?

Mr. SECORD. Yes.

Mr. MITCHELL. You were a private citizen?

Mr. SECORD. Yes.

Mr. MITCHELL. Mr. Nir was a private citizen?

Mr. SECORD. No.

Mr. MITCHELL. He was a government official?

Mr. SECORD. Yes, sir.

Mr. MITCHELL. And Mr. McFarlane was a government official?

Mr. SECORD. Yes, sir.

Mr. MITCHELL. In retrospect, do you think problems can develop regarding the differing interests of private citizens and government officials in matters of this type where conflicting motivations can exist to the point where the government policy might be compromised, sacrificed to private interests?

Mr. SECORD. Without question, you are correct.

Mr. MITCHELL. And would you think it fair to draw as one lesson from this matter that it may be unwise to utilize private persons to implement government policies for the very reason that particularly when they are complex as the events here, that there may be conflicting motives, conflicting interests and that the government policy may suffer as a consequence?

Mr. SECORD. I don't believe in a lot of dependence on private parties in matters of international security, but I don't think the government ought to rule out that option for some specific cases.

The lesson I have drawn is that I have got to—I would—the first lesson I have drawn is don't ever do it again. The phone rings, next time I won't answer it.

But the fact is that this should have been lawyered. It was not professionally done. I regret that. Part of that is my fault. I think part of it is also the CIA's fault.

Mr. **Mitchell**. Thank you very much, Mr. Chairman.

Thank you, General Secord.

Chairman **Inouye**. Thank you.

Mr. Secord, the committee had every intention to continue until we concluded this evening, but apparently with 10 House Members and Senators, because of the great interest that your testimony has evoked here, we may be here until 8, 9 o'clock. It has been a long and stressful day for you. And because of that, may I request that you return again tomorrow morning at 10?

Mr. **Secord**. Yes, Mr. Chairman.

Mr. **Liman**. Mr. Chairman, I ask that exhibits 7 through 26 be included in the record of these proceedings.

Chairman **Inouye**. Without objection.

[Exhibits 7 through 26 appear at p. 475-587.]

Chairman **Inouye**. When we do return, the questioning will be carried on by Congressman Cheney, the ranking member of the House Select Committee.

Mr. **Stokes**. Mr. Chairman, may I make a request also?

I have two documents which I would like to be marked appropriately as exhibits.

One is a copy of the Congressional Record, dated October 11, 1984, on the Intelligence Authorization Act for Fiscal Year 1985. The other is the Floor debate on the conference report on the Continuing Resolution under date of October 10, 1984, Congressional Record, page H-11979.

In both cases, I would ask that these documents appear immediately following my testimony—my questioning of Mr. Secord in the record.

Chairman **Inouye**. Without objection, so ordered.

[The documents appear at p. 588-591.]

If not, the joint hearing will stand in recess until 10 o'clock tomorrow morning.

[Whereupon, at 5:45 p.m., the hearing adjourned, to resume at 10 a.m., the following day.]

JOINT HEARINGS ON THE IRAN-CONTRA INVESTIGATION

Continued Testimony of Richard V. Secord

FRIDAY, MAY 8, 1987

Senate Select Committee on Secret Military
Assistance to Iran and the Nicaraguan Opposition
and
House Select Committee To Investigate
Covert Arms Transactions With Iran,
Washington, DC.

The select committees met, pursuant to call, at 10:03 a.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman Inouye. The hearing will please come to order.

Mr. Secord, I am certain you are aware that you are still under oath.

Mr. Secord. Yes, sir, Mr. Chairman.

Mr. Green. Mr. Chairman?

Chairman Inouye. There are 17 Members of Congress who have indicated a desire to participate in the questioning of the witness, and I have tried my best to convince my colleagues that we should keep all questioning down to a reasonable level, but apparently, it is not possible to limit the questioning to any 5 or 10 minutes.

That being the case, I believe that we will go beyond this noon, and so I have advised our next witness, Mr. McFarlane, to prepare himself to be present in the House Judiciary Committee room next Monday—House Foreign Affairs Committee.

So, today, we will carry on until every Member has had an opportunity to question Mr. Secord.

Our first——

Mr. Green. Mr. Chairman, if I may, with your permission, if I may be allowed to supplement the record with an exhibit?

Chairman Inouye. Please do, sir.

Mr. Green. Senator, I believe it was Senator Hatch asked General Secord yesterday for a list of his bank accounts on which he is authorized to draw, accounts that would include either General Secord, and I believe the question also embraced his wife.

This morning, early, before appearing, we have prepared an exhibit listing those accounts in response to the Senator's inquiry. The list is signed, but we did not have access to a notary early this morning.

I would like to tender this as an exhibit on behalf of General Secord. If the committee wishes to have the exhibit notarized, we will certainly do that in accordance with your wishes as well.

But I would ask that it be received. If I may, sir, with your permission, one additional point, General Secord would like to supplement an answer that he gave to Senator Rudman towards the close of yesterday's proceedings, if that is permitted.

Chairman INOUYE. Before proceeding, Mr. Secord, do you swear that this is the truth?

Mr. SECORD. Yes, sir.

Chairman INOUYE. Then I don't think we need a notary for that.

Mr. GREEN. Thank you, sir.

Chairman INOUYE. Without objection, staff will appropriately number this, and this will be made a part of the record.

[The document marked as Exhibit 28A appears at p. 593.]

Mr. SECORD. Mr. Chairman, if I may, yesterday we were discussing what was to become the funds which remain intact in the various accounts. It is my intention, as I said yesterday, to consult with the various counsels and with Mr. Hakim just as soon as possible, and my recommendation will be that the funds which remain after obligations are met be donated to the William J. Casey Fund, which has just been established for the support of the Nicaraguan freedom fighters.

Mr. RUDMAN. Mr. Chairman?

Chairman INOUYE. Mr. Rudman.

Mr. RUDMAN. I thank General Secord for his response. I would think that is a very laudable idea, but I must tell you that in my view, you or no one else has a right to send that money anywhere. That money belongs to the people of the United States, and I will assure you that the Justice Department at the appropriate time will make that claim.

Thank you, Mr. Chairman.

Chairman INOUYE. Thank you.

Any further statements, Mr. Secord?

Mr. SECORD. Yes, sir. I indicated that I would be consulting with the various counsels, and by that I meant government counsels as well as private counsels.

Chairman INOUYE. It is my pleasure to call upon the ranking minority member of the House Select Committee, Congressman Cheney.

Mr. CHENEY. Thank you, Mr. Chairman.

General, welcome back for what hopefully will be the last day of a fairly grueling session. I must say, I find your offer to contribute those funds to Bill Casey's memorial a good one, frankly. I think the gentleman would have appreciated the gesture very much.

Let me, if I might, join with my colleague, Mr. Hamilton, in thanking you for coming before the committee. Many of the people that will testify have had to be compelled to testify, have refused to voluntarily come forward, and we appreciate the fact that you have voluntarily come forward and I think there are also a great many of us who have admiration for your long and distinguished career of military service to the country, and we appreciate what you have done for us in the past.

What I would like to do this morning, if I can, is to take a couple of minutes and focus on the broader policy questions that are involved. You have given a great deal of testimony about the details of how the operation was run, about aircraft, money, and arms transfers, and so forth.

I would like to take a minute, if I could, and focus on some of the broader questions and the implications, if you will, of this particular operation.

You served at one time as the Deputy Assistant Secretary of Defense for the Middle East, and obviously, you have a lot of knowledge, fairly extensive knowledge in the area of the Iran area. I wonder if you might comment briefly on whether or not you believe the arms that were provided to Iran were in any way had any impact on the Iran-Iraq conflict?

Mr. SECORD. No sir, in my opinion the small number of TOW missiles and the very small number of spare parts would not have any significant impact on the outcome of that war.

Mr. CHENEY. Based on your knowledge of the Iranian military——

Mr. SECORD. Based on my knowledge of the forces on both sides, the tactics that are being used, based on my knowledge of the I-Hawk system, itself, which the Iranians have, and based on my knowledge of the TOW missile system as well, which—all of this goes to form my conclusion. And we, of course, had this in mind when these deliveries were made.

My conclusion is that it had virtually no outcome on the impact—no impact on the outcome. I might also add that the Iranians were complaining about the age of the TOW missiles and complained that many of them were malfunctioning.

Mr. CHENEY. On a second subject, there has been a lot of debate, subsequent to the disclosure of the operation, about the impossibility of finding any moderates in Iran. I have always found that a little hard to believe, that everybody in Iran suddenly went from being—at least some of them—friendly to the United States, to all of them being unremittingly hostile to the United States. Would you comment generally on that proposition?

Mr. SECORD. It was my view, and the view of my colleagues, that there are pragmatic factions in the hierarchy of the Government of Iran. Their actions have indicated this. It is common sense to assume that this is the case.

There is a great body, I believe, of good will still in the minds of the Iranian people. Iranians always liked Americans. At least that was my impression in general. There are a lot of radicals, no question. They gained ascendancy. They exploited us, dubbed us the great Satan, embarrassed us, and I don't condone that. I am absolutely upset by that, and have been for a long time.

But there are still nonetheless, in my judgment, pragmatic people, men in the hierarchy, and these were the men with whom we were seeking to establish contact, and it was this group that we did establish contact.

Mr. CHENEY. So in your judgment, it was not a completely fallacious notion that there might be the possibility of somehow improving United States-Iranian relations through these transactions?

Mr. SECORD. That is right.

Mr. CHENEY. Yesterday, the distinguished Senator from Oklahoma spent a lot of time on the assertion that somehow you had usurped U.S. foreign policy authority, that you had in effect taken unto yourself the power to determine what U.S. foreign policy was and usurped the authority of the President, the Secretary of State, the members of the National Security Council and it got a lot of coverage out those coverages yesterday. I want to go back over a little bit of that ground just briefly with you, because the Senator's conclusions didn't track with the facts as I understood them from your earlier testimony. It was my understanding you were recruited for these operations specifically by a member of the NSC staff, Colonel North?

Mr. SECORD. That is correct, sir.

Mr. CHENEY. Secondly, that you worked in that capacity with Admiral Poindexter, the President's National Security Adviser?

Mr. SECORD. That is correct.

Mr. CHENEY. And that he thanked you on several occasions for your efforts and said that he appreciated very much what you were doing on behalf of the country?

Mr. SECORD. Yes sir, that is correct.

Mr. CHENEY. You met on 30 occasions with the Director of the Central Intelligence Agency and he also thanked you for your efforts?

Mr. SECORD. Yes sir.

Mr. CHENEY. And, of course, he was perhaps the most influential CIA Director we have had in many years, a member of the President's Cabinet, a close adviser to the President, and certainly you had no indication that what you were doing was in conflict with the administration policy?

Mr. SECORD. Absolutely correct.

Mr. CHENEY. You participated in a session at which a finding was prepared, authorizing the transfer of weapons to Iran, a covert finding under the 1947 National Security Act, and its amendments, is that true?

Mr. SECORD. Yes sir.

Mr. CHENEY. And obviously this is an area where the President clearly had the authority to make the decision. You could judge it a good decision or a bad decision, but it was within his purview to undertake a covert action and to assign a finding for it. And, of course, with respect to the Contra program, the administration's policy was well known of support for the Contras. That program had gone forward prior to the adoption of the Boland amendment, and its various versions, and is obviously the policy of the U.S. Government today to support the Contras?

Mr. SECORD. Yes sir.

Mr. CHENEY. So, looking at that, I think it is an important point to make that some of the conclusions that were reached yesterday don't seem to be borne out by the facts.

One of the concerns I have, and while I think the record speaks for itself in that regard I am not—I must say I am not happy, obviously, with all facets of the operation. I would like to have you comment, if you might upon the proposition that on two general areas:

First of all, your estimate of what would have transpired, or what would have happened, if the operation had been completely successful with respect both to hostages, to Iran, and to the Contras?

Mr. SECORD. Well, it would have probably been miraculous if it were completely successful, because the objectives were very ambitious. I believe in the short term had we been successful, with respect to Iran at least the remaining hostages—and that was three that we were concerned with at the time—would have been released and would have cleared an obstacle to serious talks between the U.S. Government and the Government of Iran.

I am afraid that any talks would have had to have been very, very low key and would have had to have been truly secret diplomacy, but then the United States is capable of doing that, and they could have moved forward very, very slowly, I think, and eventually established some sort of relationship with the Government of Iran.

We have relationships with any number of governments that we don't admire. We have relationships with a lot of governments that we can't even cooperate with. So I really believed that we should try to achieve a relationship there and I think we could have.

With respect to the Contra, I am far less certain about the outcome there. As I indicated, in some of my earlier testimony, I believe that there are gains that can be made by the Contras. I do not believe that they can achieve a decisive military victory, however, and I think that they can, if well supported, bring the Sandinista Government to a bargaining table in some sort of an acceptable form.

Mr. CHENEY. You indicated in your testimony that this was viewed as a bridging operation, that the rationale for it was somehow we had to keep the Contras in business pending Congress coming back in and reauthorizing aid. In your view, was that objective achieved?

Mr. SECORD. In my view, we did have limited success there. By August or so, we were successfully delivering large amounts of supplies to the Contra forces which so desperately needed them.

Mr. CHENEY. One of the problems I have with the operation, General, is that it seems to me we have this dilemma. Many of us on this committee are very strong supporters of the Contra cause. While you were running your operation in Central America we were doing battle in the Congress to try to build support for the policy that was ultimately adopted last year when Congress approved the $100 million in military and humanitarian assistance for the Contras.

But I am concerned in a sense that in winning the short term victory of keeping the Contras alive through the operation that you ran, we may have done damage to our capacity to build public and congressional support for a long term program of support for the Contras.

And I wonder if that subject was ever discussed, was ever the subject of talks between yourself, Colonel North, or the others involved in the operation?

Mr. **Secord**. I don't recall any specific discussions of that nature, but I agree with your analysis. I, too, am afraid that the revelation is going to badly damage the cause.

Mr. **Cheney**. We will do our best to renew that program later this year, but that is a subject for debate in other committees. Was there ever any discussion of what would happen if the operation had its cover blown?

Mr. **Secord**. Yes. Yes, we discussed that. We simply expected that we would be no longer able to function and would have to pull out.

Mr. **Cheney**. Do you have any reason to believe that people, perhaps higher up in the Government than Colonel North, ever gave consideration to the potential impact of this kind of disclosure?

Mr. **Secord**. If there was any discussion, sir, I am not aware of it. And I have no evidence that there was any kind of damage control thinking going on on this particular operation.

Mr. **Cheney**. Did you assume it could be kept secret?

Mr. **Secord**. Well, I assumed that the details of our Contra operation could be kept secret for a short period of time, but not indefinitely and, of course, we were only intending to bridge for a short period of time.

Does the question also cover Iran or just the Contras?

Mr. **Cheney**. Just the Contras specifically.

Mr. **Secord**. Yes, sir.

Mr. **Cheney**. If it were a bridging operation and it seems to me interms of if your objective were clearly stated in those terms at least in terms of the kind of mandate you were given, I would assume that there was the expectation that at some point it would be possible to turn Congress around on this issue and build public support for the program.

Mr. **Secord**. The third discussion that I participated in with Mr. Casey dealt briefly with that subject and he was very concerned about how he was going to be able to convince the Congress quickly to turn around.

So he was thinking a lot about this subject. It was much on his mind.

Mr. **Cheney**. Finally, General Secord, you have stated that you believed your activities did not violate the Boland amendment because you were a private citizen. You have also stated that you received legal advice to the effect that your operation did not violate the Neutrality Act or that you carried it out in such a way that it was consistent with the Neutrality Act.

It has been suggested that because Colonel North encouraged support and sometimes assisted your effort that you engaged in effect in circumventing the Boland amendment. But if your activities were permitted, how would it have been possible for you to have circumvented the Boland amendment?

Mr. **Secord**. We do not have the view that we were circumventing the Boland amendment. We simply read the Boland amendment and believed it did not apply because we were private.

Mr. **Cheney**. Wouldn't you think that if Congress wanted to prohibit private activities such as that which you engaged in, that perhaps we should have changed the law such as the Neutrality Act to make it clear that it was intended to prohibit private actions in support of the Contras?

Mr. SECORD. Definitely.

Mr. CHENEY. Thank you very much, Mr. Chairman.

Chairman INOUYE. I am pleased to recognize Mr. McClure.

Mr. MCCLURE. Thank you, Mr. Chairman. General Secord, I want to follow up just a moment on the line of questioning that Congressman Cheney has initiated here. With respect to the development of policy first, you were involved in the Contra support activities. That was in no way at that time connected to anything with respect to policy in the Middle East, am I correct?

Mr. SECORD. Correct, sir.

Mr. MCCLURE. The Congressman has brought out again the fact that you have some expertise in the Middle East having been stationed in Iran, having been Assistant Secretary, having had responsibilities and experiences in the area.

Did you regard it as a factor in their approaching you with respect to the Iranian initiative the fact that you had had experience in the area? Were you being called upon because of your experience and, therefore, could recommend or supplement or advise with respect to policy or were you approached primarily because you had the logistical capacity to deliver the goods?

Mr. SECORD. I think my involvement evolved, sir. Initially it was simply because I had the logistic capacity, they believed, to help out in the situation that I described to you in November of 1985.

Later, however, when the administration decided to go forward in January of 1986 with the covert operation, I believe they called on me for a few reasons, one, by this time I think they trusted me quite a lot and this was—trust was needed in this operation.

Of course, Mr. McFarlane and Admiral Poindexter were both very much aware that I had been in the Defense Department on the Middle East policy desk for quite awhile so that was a factor in their minds.

They knew that I knew Iran. So I think in their minds it came neatly together that I had the logistic capacity initially, and logistic capacity was needed later and I also had the experience.

Mr. MCCLURE. Did you have conversations with Admiral Poindexter with respect to the evolution of policy?

Mr. SECORD. I listened to him describe how policy had evolved and the only comment that I made about it when he asked me if I would participate was that I agreed with Mr. McFarlane's earlier position in December that we could not engage in some blatant arms for hostage exchange but I said if it is going to go forward as you describe, and this is the way the President wants it to go forward, then I will be happy to participate.

But I was not involved in any of the discussions about the policy. As I testified earlier, I didn't even meet Mr. Nir and was not in any of those meetings until much later.

Mr. MCCLURE. In those conversations, did the topic come up at all in the conversation as to whether or not Khomeini could be brought around to a different kind of relationship with the United States or were you talking solely about other elements in the Iranian Government.

Mr. SECORD. There was a short discussion about trying to gain contact with the pragmatic elements in the government. We did not talk about the Ayatollah, but we were talking about other elements.

Mr. MCCLURE. I ask that question because I find it almost inconceivable, from what little I know about the man who is now the leader in Iran. I believe that a person as fanatic in his expressions as he is going to be open to any kind of suggestion for a better relationship with the U.S.

I wondered if in your conversations there was any element of the hope or the expectation that somehow Khomeini could be changed?

Mr. SECORD. No, sir.

Mr. MCCLURE. I visited Iran a number of years ago and I found that there were a lot of people that liked the United States. I talked to a number who had been students in the United States at our universities, who had a great affection for us, or at least expressed it, and a reservoir of good will among many that might well be tapped for a future relationship. That seems to me to be totally impossible. At the present time I am not sure I even want to have a good relationship with Khomeini, but I suspect he feels the same about me. So I don't anticipate that there is anything there that can happen.

The other side of that would be, you have made reference to the great strategic importance of Iran and perhaps we ought to ask you why you believe that.

Mr. SECORD. Yes, sir. First, I believe it simply because of its geographic location. It is a very large buffer state between the Soviet Union and the warm water ports of the Persian Gulf and the Sea of Oman. It has long been an objective of the Soviets to move south and to gain at least a sphere of influence in that area. So that is the primary reason.

In addition, this is a nation of about 45 million people, a large nation, and it is not a nation that we should be ignoring. They border on some of the most vital oil reserves in the world, and we have an interest in that.

So those are the simple reasons that I have in mind when I describe it as of strategic importance to the U.S.

Mr. MCCLURE. You know there is a reason for a feeling of hostility toward the Khomeini regime, what they did to embarrass the United States, what they did with U.S. citizens in violation of every norm of international law and behavior, the way that they have treated us in their rhetoric.

I don't think the American public has a kind feeling toward the Khomeini regime and is not anxious for us to get any closer to them. So there is a potential for policy reaction or a reaction against policy if the U.S. Government attempts to make any relationship, to better a relationship with that regime.

Was that discussed?

Mr. SECORD. Yes, sir. I agree completely with your remarks. That is why our Government, I believe, was looking at the longer term, trying to look out to the horizon in the post-Khomeini era. He is not going to live forever. I have heard that he is about to pass away now for about seven years.

During the hostage crisis in 1980 when I was the deputy commander of the joint task force that went in for rescue, we received reports continually of his grave illnesses, but he outlasted us.

I think it is legitimate for the United States to plan and try to lay groundwork for a possible future relationship. I think this is a legitimate thing to seek. I was personally happy to see that they were going to give that a try.

Mr. McClure. But was there discussion about the dangers to the United States and the U.S. Government with respect to losing the covert—blowing the cover and the operation and having people react to our attempt to make contact with a regime that is so repulsive to most Americans?

Mr. Secord. There were a number of discussions about how one should undertake a damage control effort. There should have been more discussions. I believe I testified that I was not satisfied with the way in which we handled it as it started to unravel. It was really starting to unravel in the summer of 1986, and I don't believe that it was handled well by the senior officials, and I guess some of us lesser lights didn't handle it well either. But there was not a good damage control plan.

Mr. McClure. You indicated in your comments today and in your testimony yesterday that the initiative just didn't die and go away, even though there were signs that it was coming unraveled at a much earlier date.

In response to Chairman Hamilton's questions yesterday, you indicated that there were two things that kept bringing the Iran initiative back to life: First, that there was a concern for the hostages, a very strong concern; and, second—and I quote from the transcript now—that "The Israeli Government has a strong interest in the U.S. being able to somehow gain and maintain some sort of relationship with Iran for their own interests, which don't necessarily converge with ours," end of quote.

Would you describe for the committee or clarify for the committee what you mean by the statement that Israeli interests don't necessarily converge with ours?

Mr. Secord. I believe the Israelis have a strong interest in trying to gain some sort of penetration into Iran in order to bolster Iran in the Iran-Iraq War. Iraq is a mortal enemy of Israel, and of great concern to their military planners and to their leaders. Therefore, simply on military grounds alone, I believe there is an interest in—an Israeli interest that the United States doesn't necessarily share. In fact, the U.S. position, if I understand it correctly, is one of neutrality in this war. And so I think that is the best example that I can give.

Mr. McClure. Are you aware of any previous arms transactions between Israel and Iran?

Mr. Secord. Yes, sir. And I have often wondered why there hasn't been more focus in the press on this because it was no secret. When I was in government, I knew and have learned since then that there have been very large-scale transactions from European countries and from Israel to Iran—shiploads, many many shiploads of armaments have been going to Iran. The consumables have been going in there in large quantities. The Iranians have been buying these things all over the world, but Israel has also been there in fairly large scale.

Mr. McClure. Shipments from Israel to Iran of armaments, have any of those armaments in the past been arms that were supplied to Israel by the United States?

Mr. Secord. Yes, sir, and the United States, during my time in the government, protested several of these. I am not aware of anything since then.

Mr. McClure. Did the United States in each instance, when we knew of it, protest, or did we ever at any time tacitly withhold protest?

Mr. Secord. I don't know the answer to that question, sir. I know only that when I was in the government, we did protest on several occasions about fighter planes, spare parts.

Mr. McClure. So there was a pattern of re-supply to Iran of a spare parts for equipment that had at an earlier time been supplied from United States sources to Iran?

Mr. Secord. Yes, sir.

Mr. McClure. In response to Chairman Hamilton's questions, you further said, and again I quote, "Because the Israelis did have these interests, they re-examined the whole matter." What do you mean by that?

Mr. Secord. I don't recall what the "they" refers to. Does that refer to the Israelis or to the United States?

Mr. McClure. You meant the Israelis, I think.

Mr. Secord. I think, in context, I was trying to say the Israelis were able to influence the White House to, by the strengths of their arguments, they were able to influence the White House to form a new initiative and to go forward. I believe that is the context of my remarks.

Mr. McClure. Well, I might refer you—do you have the transcript in front of you?

Mr. Secord. No, sir.

Mr. McClure. I wonder if the staff could provide page 162.

Mr. Secord. We may have it in the back. I am sorry, we don't have yesterday's transcript.

Mr. McClure. Yesterday's, page 162, I am really trying to find out what you meant by "they", as you appropriately questioned. At the bottom of the page, you again use the pronoun "they", they believe that it failed earlier for a number of reasons, whatever their calculus was, they put together a new team, if you will, under Mr. Nir, working directly under the PMS Office who came to Washington early in January and made a new proposal for a new start. I think that refers to Israeli efforts, does it not?

Mr. Secord. Yes, only the Israeli efforts.

Mr. McClure. And do you recall—what is the basis for that later statement that they came to Washington with a new proposal for a new start?

Mr. Secord. I was told by Admiral Poindexter, Colonel North and by Mr. Nir later that this is what happened.

Mr. McClure. Mr. Nir told you as well as Mr. Poindexter?

Mr. Secord. Yes, sir.

Mr. McClure. Do you know if the Israelis had any part in the January 17th finding?

Mr. SECORD. I don't think any part at all.

Mr. MCCLURE. Could their new proposal for a new start have anything to do with that finding?

Mr. SECORD. It was directly related.

Mr. MCCLURE. Now there had been an earlier shipment attempted from Israel to Iran by way of Portugal that ran into a great deal of trouble, did it not?

Mr. SECORD. Yes, sir.

Mr. MCCLURE. And that led to the invitation for you to become involved, is that correct?

Mr. SECORD. Yes, sir.

Mr. MCCLURE. If that shipment had worked without a problem, if the Israelis had been able to make this shipment without difficulty by way of Portugal and that had worked like clock work, would they have called upon you?

Mr. SECORD. I wondered, it could be that I would not have known of it.

Mr. MCCLURE. What could you do that the Israeli Government couldn't do?

Mr. SECORD. It was the opinion of Mr. McFarlane and Colonel North, that since my people were working in Portugal and had good relationship with the Portuguese arms industry, that they would be able to at least properly get the request for clearance up and perhaps even argue the case a little bit to support the United States request to support the Israelis.

It was a last minute thing. A last minute attempt to try to help the Israelis and it didn't work.

Mr. MCCLURE. You have indicated that before this time there were a large number of arms shipments to Iran, some of which involved shipments from Israel?

Mr. SECORD. Yes sir.

Mr. MCCLURE. Why in this particular instance, would they have had greater difficulty in making a shipment than they had in earlier shipments?

Mr. SECORD. Because that was an air shipment.

Mr. MCCLURE. And the others were all by ship?

Mr. SECORD. As far as I know, they were by ship.

Mr. MCCLURE. If I can shift for a moment to the question that I think troubles him, and you have indicated very positively that you believe that the money derived from the arms sales to Iran are within your control and that you have the right to control this.

Senator Rudman earlier today said he regards that money as belonging to the United States. You have described your role in this transaction as a commercial cutout. That government to government negotiations were not possible, so there was this other more indirect means in which the Economy Act would be used to transfer to the CIA, which would then transfer to a commercial operation, which would deal with the commercial operation, which would in turn deal with the Government of Iran. Have I described that correctly?

Mr. SECORD. Yes sir.

Mr. MCCLURE. Now, in that process—and you understand that process very well—I assume that it can be argued and is being argued by some, that you were not operating as a commercial agent buying arms from the U.S. Government and selling, but you were acting as an agent for the U.S. Government. Now, would you care to comment on that line?

Mr. **SECORD**. Yes sir. That is being argued by some. I did not—all I can tell you is that I did not feel that I was an agent of the U.S. Government, that the U.S. Government had many different ways available to them to implement this policy, an infinite number of ways. They chose to go this way, designed it to go this way. They had their reasons.

I have tried to describe to you why I believe they designed it this way, but I can't justify it any way other than I have, to try to give you the reasons that I understood were operative at the time.

And so I viewed myself as a commercial operator at all times. The U.S. Government did not put any money into this operation to finance the operation. I was expected to raise the revenues, to finance the operation. It seems to me that this fairly clearly was a commercial operation.

Some people are going to keep arguing to the contrary, I recognize that.

Mr. **MCCLURE**. You have described your conversations with I believe Colonel North, Mr. McFarlane, and Mr. Poindexter. Those are your primary contacts with U.S. Government firms with respect to this transaction?

Mr. **SECORD**. Yes sir.

Mr. **MCCLURE**. Your conversations on three different occasions with Director Casey had nothing really to do with the question of who owned the arms at which point in time did they own, is that correct?

Mr. **SECORD**. Well, that is correct, but I was also involved in conversations with CIA personnel at the time of the finding, in which it was my understanding that I was to be commercial cutout.

Mr. **MCCLURE**. A commercial cutout, is that an arms length transaction? Did they sell you the arms? Would you have felt free to sell the arms to somebody else?

Mr. **SECORD**. Technically, but of course, I wouldn't.

Mr. **MCCLURE**. Technically could you have done so?

Mr. **SECORD**. It never crossed my mind, but I suppose theoretically I could have done so, because they were under my control.

Mr. **MCCLURE**. Was there anything in your conversation with these agents of the U.S. Government that they expected you to be acting as an agent for the U.S. Government in this transaction?

Mr. **SECORD**. No, Senator.

Mr. **MCCLURE**. Thank you very much.

I have no further questions.

Chairman **HAMILTON**. I recognize the gentleman from Florida, Mr. Fascell.

Mr. **FASCELL**. Thank you, Mr. Chairman.

Mr. Secord, all during the period of time in which you have been testifying, the period of years, rather, not the time here, although I am sure they seem the same to you, but all during the years, we are talking about 1984 to 1986, up until now, your principal business has been an arms dealer?

Mr. **SECORD**. No, sir.

Mr. **FASCELL**. What is your principal business?

Mr. **Secord**. I thought my principal business was to conduct international business primarily in the security area.

Mr. **Fascell**. And the only time it ever included the delivery, transfer, sale of arms was in this particular occasion?

Mr. **Secord**. I can't think of any other time that we dealt in arms.

Mr. **Fascell**. So you were primarily in the security business, an international business, but not involved in the sale and transfer of armaments until you got involved in this particular matter?

Mr. **Secord**. That is correct, sir.

Mr. **Fascell**. When did you first learn of the transfer of arms from Israel to Iran that took place during August, September, October of 1985?

Mr. **Secord**. During my trip to Israel in late November, sir.

Mr. **Fascell**. Did you learn that from external sources or from U.S. sources?

Mr. **Secord**. I learned it from the Director General of the Ministry of Foreign Affairs of Israel.

Mr. **Fascell**. Now, before you left the United States, I believe that was some time in November 1985—that was before you went to Portugal, Israel, Paris, London and Washington DC, on this circle trip, you were gone whatever number of days, a couple of weeks, as I recall it.

Mr. **Secord**. Yes, sir.

Mr. **Fascell**. On November 19, 1985, according to exhibit 1, you got a letter directed to you in McFarlane's name, but signed by North and it said we require your services, your discrete services, I believe it said.

Did you ask for that letter?

Mr. **Secord**. No, sir.

Mr. **Fascell**. It was volunteered by North.

Mr. **Secord**. Absolutely.

Mr. **Fascell**. How was it delivered to you?

Mr. **Secord**. Mr. North gave it to me.

Mr. **Fascell**. Was that after you got back from your trip?

Mr. **Secord**. No, sir.

Mr. **Fascell**. It was before you went on the trip?

Mr. **Secord**. It was.

Mr. **Fascell**. What was the purpose of the letter as far as you were concerned.

Mr. **Secord**. I was a little surprised when he gave me the letter, but he said it was in case I needed proof when I was in Portugal that this was indeed what the United States represented me to be through other channels from CIA.

Mr. **Fascell**. In other words, you were acting under some cover of authority?

Mr. **Secord**. Yes, in accordance with U.S. policy.

Mr. **Fascell**. When you jumped into this thing—which you certainly did and I don't mean that in a derogatory sense, I just meant you became active immediately in that matter—prior to that letter had you had several discussions with North or with anybody else in the Government about what you were getting ready to undertake?

Mr. SECORD. Only a brief discussion with North when he called me to his office and gave me a short briefing on the difficulties they had encountered. He told me he had been in touch with Mr. McFarlane and with the Israelis and asked if I would go to Portugal on this matter.

That was my first discussion on this subject.

Mr. FASCELL. As you undertook this extensive trip, I suppose to gather knowledge basically as to what was going on——

Mr. SECORD. After Portugal, North asked me to go to Israel and collect some information and find out what happened, what went wrong.

Mr. FASCELL. Then you went to Paris?

Mr. SECORD. Yes, sir.

Mr. FASCELL. Then you had this big meeting in London?

Mr. SECORD. Yes, sir.

Mr. FASCELL. And you came back to Washington. Now, and by this time you are pretty much agreed that you are going to do this, whatever it is.

Mr. SECORD. Not really, sir. This thing is going along a piece at a time and by the time we came back it seemed to me that it was dead.

Mr. FASCELL. Did you discuss after you got back with anyone the possibility of reviving this operation?

Mr. SECORD. As I testified earlier, I did not have any further discussions after I left Mr. McFarlane and——

Mr. FASCELL. Can you move your head to the right? The glare off your head is bad.

Mr. SECORD. I don't recall hearing anything about Iran again after I came back from that trip except when Director Casey started talking about Iran to me in my meeting with him in December and then we switched over to the Contras.

Mr. FASCELL. So it was in your meeting with Casey on December 23rd when you had the first kind of inkling of a discussion about it.

Mr. SECORD. I didn't think much about it, because—I didn't think that he was talking about Iran at first, and then he made reference to Mr. Michael Ledeen, he said he thought he was pretty bright on the subject, and asked for my opinion, and then turned to the Contras, so I really didn't focus on it.

Mr. FASCELL. Well, in your own mind, when did you start, at what point did you undertake a responsibility?

Mr. SECORD. Only after Admiral Poindexter called me into the White House in early January, mid-January, and asked me if I would participate.

Mr. FASCELL. Now, at that time, when you went into the White House at Poindexter's request, the President—the first Presidential finding had already been issued?

Mr. SECORD. I didn't know that at the time.

Mr. FASCELL. Well, but then you were in on a discussion with respect to the second Presidential finding.

Mr. SECORD. I listened to a discussion about it, yes sir.

Mr. FASCELL. And that is the discussion that took place in the situation room in the White House.

Mr. SECORD. Yes, sir.

Mr. FASCELL. And they, you keep referring to as they designed it this way, or—was this group the "they"?

Mr. SECORD. I think that "they" was that group. I think it was Admiral Poindexter, and I think it was the President.

Mr. FASCELL. Now, who was at this situation room meeting that you are talking about?

Mr. SECORD. Colonel North, the General Counsel of the CIA, and one or two of his assistants. The Chief of the Near East Section of the CIA, and I——

Mr. FASCELL. Was the Attorney General there?

Mr. SECORD. He was not there, but I was told later that he coordinated on this finding.

Mr. FASCELL. Was a representative of the Justice Department there?

Mr. SECORD. No. Not to my knowledge.

Mr. FASCELL. One of the principal subjects discussed at that meeting was the inadequacy of the January 7th finding, was it not?

Mr. SECORD. It seemed that they were talking about the language—a particular part of the language, but I didn't realize they were talking about an earlier finding. I didn't know there was an earlier finding.

Mr. FASCELL. Was your lawyer there with you at that meeting?

Mr. SECORD. No, sir. Regrettably, I didn't have a lawyer with me.

Mr. FASCELL. Did you have any recommendation or comment with respect to the words that were added to the later, the second finding, which the only words that were added covered private persons? Was that your recommendation?

Mr. SECORD. No, sir, it was not my recommendation.

Mr. FASCELL. Do you know whose recommendation it was?

Mr. SECORD. I am sure it was the CIA lawyers who did it.

Mr. FASCELL. Did that question come up at this situation room conference that you were in on?

Mr. SECORD. There was no discussion that I remember about why they had made that decision, but there was discussion that I was to be the private party.

Mr. FASCELL. But you could determine from the discussion that it would certainly be better for you undertaking a responsibility of the kind that you were taking to have those words added in the second finding, rather than leave them out, so that there wouldn't be any doubt about the fact that there would be no question with regard to the violation of the Intelligence Act; is that a fair statement?

Mr. SECORD. I believe it is a fair statement, yes.

Mr. FASCELL. You had already decided, if I understand your testimony correctly, that you were quite positive, and comfortable with the fact that you were not covered by the Arms Export Control Act, the other Export Act, the Foreign Assistance Act, the Boland amendments and whatever other matters seemed to be directed toward the U.S. Government as a government doing anything, am I correct, generally speaking?

Mr. SECORD. Yes.

Mr. FASCELL. Have you ever met with the Attorney General?

Mr. SECORD. No.

Mr. **Fascell**. Were there any discussions early on, Mr. Secord, since you are a very good operator and very careful—were there any discussions about what would happen if this whole event, which everybody worked so hard on to keep secret, what would happen if it became public—were there any discussions with North, Poindexter, McFarlane, Meese or anybody?

Mr. **Secord**. I personally had discussions on a number of occasions with Colonel North. I think I have testified to some of that. I had a discussion with John Poindexter after the revelation came out. I urged on several occasions that the President go public and preempt what looked like a gathering storm.

Mr. **Fascell**. As a matter of fact, you even wrote some remarks for him that you felt he should make.

Mr. **Secord**. That was even later, yes, in November. The White House, they had different views. They did it their way.

Mr. **Fascell**. In other words, you were quite comfortable having reviewed this matter from the beginning to simply take the stand, which you have taken here and all along, that this was a perfectly proper matter, and you couldn't understand why there would be any doubt about it in any of the government officials' minds?

Mr. **Secord**. I naively held that view, yes.

Mr. **Fascell**. When North was removed, was that a signal to you that something had really gone wrong?

Mr. **Secord**. Well, by that time, as I have testified, I had already called his boss and urged him not to quit, and to come out and stand up to it and so on. So—it is hard for me to describe my feelings at that time.

I was more than upset.

Mr. **Fascell**. Well, I can understand that. I think I made the statement at the time that it appeared to me—I didn't want to judge this whole matter—that North and Poindexter were simply sacrificed.

Mr. **Secord**. I—I tend to share that view. That should be obvious, I guess, from my earlier remarks.

Mr. **Fascell**. And then at some point in time it occurred to you that you were being sacrificed also?

Mr. **Secord**. It did occur to me, sir.

Mr. **Fascell**. Now, did North talk to you before he had his famous conversation with Meese?

Mr. **Secord**. North——

Mr. **Fascell**. That was just prior to the November disclosures by the Attorney General.

Mr. **Secord**. Yes, he did. He talked to me on Sunday morning, and he had his meeting with Meese, I believe, that afternoon.

Mr. **Fascell**. Did he give you any indication as to what was going to transpire as a result of that meeting, or did he know himself?

Mr. **Secord**. He didn't know. He was very, very concerned about it. But he felt—he didn't seem to me to be overly agitated. He seemed confident and went to the meeting with the Attorney General to answer his questions.

Mr. **Fascell**. Did you talk to North after the Attorney General's statement?

Mr. **Secord**. Yes, but I did not talk to North except on the telephone on Monday morning briefly about his resignation.

Mr. **Fascell**. Is it fair to say that he was surprised at the Attorney General's statements?

Mr. **Secord**. He was completely surprised. He didn't know that that was going to transpire. He knew that there was going to be an announcement and that they were going public—it was already public, was just an avalanche in the press—that there was going to be a statement, but they didn't coordinate with him.

Mr. **Fascell**. Now, as I recall—and this, of course, is subject to review and correction—but as I recall the Attorney General's unusual and unique announcement at that time, he said "I have examined all the evidence over the weekend, and I found no high official in the White House involved." Is that your general recollection?

Mr. **Secord**. That is—I believe that is—I don't have a transcript.

Mr. **Fascell**. Well, subject to correction for both of us. I am just trying to say that is the impression I got when he said that, and I wondered if you had gotten the same impression.

Mr. **Secord**. Mr. Chairman, I think you are right.

Mr. **Fascell**. I guess he didn't consider North a very high official. He didn't consider Poindexter a very high official, obviously. One of them was fired, and the other resigned, or transferred, excuse me. But anyway, it is a curious play on words there, it seems to me.

Then the other statement which I found amazing was, "I have to tell you the bad news, some of these moneys have been diverted to the Contras." Now, as I recall it, that is the first time anybody had made a public statement on it. Was that to your knowledge the same?

Mr. **Secord**. That is absolutely correct.

Mr. **Fascell**. Now, that is the part that really disgusted you, wasn't it?

Mr. **Secord**. That was the part that told me that it was just going to create a tremendous storm.

Mr. **Fascell**. And it was all going to come down around your head, because you had the responsibility for carrying it all out?

Mr. **Secord**. I felt that it would come down around North's head, Poindexter's head and me, in that order.

Mr. **Fascell**. Yes. Well, that is a fair assumption, I can tell you, except for the fact that two of them, you know, wanted protection of the Fifth amendment, and you are ready to stand up here right to the bitter end and tell the story the way you see it without any fear that something might have been wrong.

Mr. **Secord**. You are right, and it looks like some who think there will be a bitter end to it. But I have done what I have done.

Mr. **Fascell**. Well, I certainly must commend you for that.

Mr. **Secord**. Thank you, sir.

Mr. **Fascell**. I am interested in one other matter from that press conference, and this again is subject to verification, because I don't have the notes on the press conference. It may be somewhere in our files. But it seems to me the Attorney General made one other statement, and I just wondered how and why, and maybe we will get an opportunity to find out. He said the amazing thing, but don't worry, he said to the American people—this is again my paraphrasing and interpretation—don't worry about the money, though, because the money doesn't belong to the United States. I often wonder how he found out so fast.

Mr. SECORD. Well, he had conducted an investigation over the weekend. I guess he determined it then.

Mr. FASCELL. But he didn't talk to you.

Mr. SECORD. No, sir. But he did participate in the finding.

Mr. FASCELL. But he was not at the meeting. He kind of coordinated the finding later. Right?

Mr. SECORD. That is my understanding, sir.

Mr. FASCELL. Yes. So this was part of the conception of the project, the damage control, the legality, the whole concept of how this thing would operate and all of it went well until the heat was on, at which point the damage control broke down. Is that a fair statement?

Mr. SECORD. I haven't thought of it in quite that way before, but I think you're right.

Mr. FASCELL. Let's shift gears now just for a second—and I am about through. I wish I had more time because this has been very interesting, and you have certainly helped the committees with a tremendous amount of information which is useful for us in determining a lot of the matters that are before us.

You mentioned CDs on several occasions, and I never quite got that straight in my head. How many CDs are there? One, two or more?

Mr. SECORD. To my knowledge, there were two CDs set aside for insurance purposes.

Mr. FASCELL. Right. And who is the payee on the CDs?

Mr. SECORD. I don't know, one of Mr. Hakim's companies. I have never seen the CDs.

Mr. FASCELL. You just know that from general knowledge, but you have never seen the actual certificates?

Mr. SECORD. No.

Mr. FASCELL. Do you know whether or not, of your own knowledge, the CDs are with an institution in the United States or in Switzerland?

Mr. SECORD. I don't know. I haven't been able to determine that from the records. I only know from Mr. Hakim's testimony.

Mr. FASCELL. Now, bank accounts have got me confused, but we may get those straightened out after you have had a chance to talk matters over with your lawyer and we get some other information put together here. But I don't think we have covered the question of personal bank accounts.

Do you have any personal bank accounts in Switzerland, Panama or Cayman Islands or some other place?

Mr. SECORD. No, sir. The document we submitted into evidence this morning lists all of my bank accounts.

Mr. FASCELL. I'm sorry, I didn't know about that.

Mr. SECORD. You haven't had a chance to see the exhibit.

Mr. FASCELL. Right.

Mr. SECORD. But it lists all of them.

Mr. FASCELL. Do you have any control or authority with respect to the operation or control of any corporate, partnership or—any corporation, partnership or any other enterprise with respect to either the operation or the funds, other than what you have described here?

Mr. SECORD. No, sir.

Mr. FASCELL. Now, Mr. Secord, you took an unusual step which, as far as I am concerned, it seems to me I would have recommended at some point, but in all of the operations that you have described with the enterprise that you are involved in on this particular transaction or transactions, your name does not appear on a single piece of paper—your signature.

Did I understand your testimony correctly?

Mr. SECORD. It doesn't appear, as far as I know, on any of these financial documents.

Mr. FASCELL. There may have been other documents, though?

Mr. SECORD. There were messages, things of this nature.

Mr. FASCELL. I see. Well, I did misunderstand you, then, because my impression from your testimony was that your name may have appeared but your signature was not on anything, not only financial documents but anything else.

Mr. SECORD. My signature was on a lot of messages.

Mr. FASCELL. I see. OK.

Mr. Chairman, I think that is all I have right now.

I have one more. I knew there was something bothering me.

Since the Attorney General's unusual announcement, have you and Ollie North been in reasonable communication?

Mr. SECORD. I don't think we have been in reasonable communication after the day after when he secured his counsel and moved on. The lawyers keep us separated.

Mr. FASCELL. So you have not really had a chance to talk with him.

Mr. SECORD. I have talked with him in the presence of counsel on a couple occasions. Not very recently. And it has been quite a long time since I have spoken to him, and I talked with he and his wife once at a restaurant in January.

Mr. FASCELL. Have there been any group meetings? By that I mean you, your lawyer, Ollie North and his lawyer, Poindexter and his lawyer.

Mr. SECORD. There have been——

Mr. GREEN. Just a moment.

[Witness confers with his counsel.]

Mr. SECORD. On a very few occasions I have met with various of these counsels, and on some occasions their clients have been there.

Mr. FASCELL. Thank you, Mr. Secord.

Thank you, Mr. Chairman.

Mr. SECORD. Thank you.

Chairman INOUYE. The Chair is pleased to recognize the gentleman from Georgia, Senator Nunn.

Mr. NUNN. You mentioned, General Secord, pursuing that avenue, that you had meetings. But you didn't really say who the meetings were with and when they occurred.

Could you amplify that, please, sir?

Mr. SECORD. I'm sorry, sir. I was distracted.

Mr. NUNN. You mentioned meetings a moment ago in answer to the Chairman's question, Chairman Fascell's question. Would you give us the dates and when—not just when, but who those meetings were with?

Mr. SECORD. I could do it but I would have to go back to—we would have to go back and reconstruct it from the calendars. I don't remember the dates.

Mr. NUNN. Who were the meetings with?

Mr. SECORD. As I said, with North's—North and his lawyers, on one occasion with Admiral Poindexter and his lawyer.

Mr. NUNN. Could you tell us——

Mr. SECORD. That was social, by the way.

Mr. NUNN. That was what?

Mr. SECORD. That was social and that was the day before—what was it—day before yesterday.

Mr. NUNN. I am not following you. You say that was a social meeting?

Mr. SECORD. Yes, sir.

Mr. NUNN. With who?

Mr. SECORD. Poindexter and his attorney—came by an office.

Mr. NUNN. How did you distinguish between a business meeting and a social meeting under these circumstances?

Mr. SECORD. He just came by to shake my hand, sir.

Mr. NUNN. Admiral Poindexter?

Mr. SECORD. Yes, sir.

Mr. NUNN. You didn't discuss the case then at that time?

Mr. SECORD. No. The counsels didn't want any discussion of the case. There were, I think, three lawyers present.

Mr. NUNN. Do you consider yourself a good friend of Admiral Poindexter's?

Mr. SECORD. I didn't know him very well, sir, but I have admiration for him.

Mr. NUNN. How about the meeting with Colonel North? When did that occur, the most recent meeting or any meeting that you have not gone into?

Mr. SECORD. I think the last time I saw him would have been more than a month ago, when he and I got together to haul some wood for a few minutes.

Mr. NUNN. Did you discuss the case at that time?

Mr. SECORD. Only in general terms, because, you know, we are both concerned it is not going well, so on.

Mr. NUNN. Did he tell you what he was going to testify to?

Mr. SECORD. He did not. He told me that his counsel had advised him not to discuss the case. So I don't know.

Mr. NUNN. Have you had any conversation with either Admiral Poindexter or Colonel North subsequent to November of 1986 regarding what they told the President of the United States about diversion of Contra funds?

Mr. SECORD. I don't believe so. No, sir.

Mr. NUNN. Have you ever had a conversation with them about that subject other than the one you alluded to with Colonel North earlier?

Mr. SECORD. Never, sir.

Mr. NUNN. That is the only time it has come up?

Mr. SECORD. Yes, sir.

Mr. NUNN. Have you ever had a conversation with any other governmental official about whether the President of the United States was told about the diversion of funds to the Contras?

Mr. SECORD. I don't believe so. I haven't spoken to very many government officials since the revelation.

Mr. NUNN. This is a pretty important point. Is it one that you would have a vague recollection on if you had? You say you don't believe so. Are you certain?

Mr. SECORD. You are talking about administration officials, not counsels for the committee or things like that?

Mr. NUNN. I am talking about administration officials now.

Mr. SECORD. I don't believe so, sir.

Mr. NUNN. Would you remember it if you had? It is a pretty key point here.

Mr. SECORD. I have had conversations with a lot of people, Senator Nunn, but I don't remember talking to any Government official about that point.

Mr. NUNN. How about anyone else other than the counsel for this committee? Have you had any conversations with anyone, whether governmental official or not, regarding whether President Reagan was told about the diversion of funds to the Contras?

Mr. SECORD. It has been discussed in brief terms with Mr. Walsh' staff.

Mr. NUNN. That is the independent counsel?

Mr. SECORD. Yes, sir.

Mr. NUNN. Beyond that, beyond the investigations ongoing and the investigators, have you had that discussion with anyone else?

Mr. SECORD. About——

Mr. NUNN. About whether the President of the United States knew that there were funds being diverted to the Contras from the Iranian arms sale?

Mr. SECORD. Well, I have speculated with some of my friends that there was a good chance, but I had no evidence of it, as I testified.

Mr. NUNN. You told some of your friends that there was a good chance of what?

Mr. SECORD. That the President would know. I felt that the President had a pretty good flow of information coming into him so there was a good chance he would know. But I don't know. And I don't know today.

Mr. NUNN. You stated in answer to a question from Senator McClure a few minutes ago that, rather unequivocally, I thought that you were not an agent in any way of the U.S. Government. Is that your position?

Mr. SECORD. Yes, sir. I never thought of myself as an agent of the U.S. Government.

Mr. NUNN. Have you had a chance to examine the January 17 finding—actually, it is the January 17 memorandum for the President from John Poindexter, subject, covert action finding regarding Iran. Have you had a chance to look at that?

It is exhibit 9 in the book.

Mr. SECORD. I have not looked at it. I have looked at the finding, but not at that memo.

Mr. NUNN. Would you take a look at page 2 of that memo in exhibit 9, paragraph 1?

Do you follow up at the top where it says Attorney General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms outside the provisions of the laws and reporting requirements for foreign military sales? Do you follow me?

Mr. SECORD. Yes, sir.

Mr. NUNN. The next line is the one I really wanted to call your attention to, quoting, "the objectives of the Israelis' plan could be met if the CIA using an authorized agent as necessary purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving an appropriate payment from Iran."

You see that?

Mr. SECORD. Yes, sir. And I was never informed of that. I have never seen the memo until it was placed in this book here.

Mr. NUNN. If you had known that, would that have changed your view about your legal circumstances?

Mr. SECORD. If—I believe that I would have been wise enough to try to find out what they meant by the word "agent" in that language.

Mr. NUNN. So your testimony here today is you never knew about that?

Mr. SECORD. I did not know about it.

Mr. NUNN. Did you know about it before today?

Mr. SECORD. No. I knew there was a memo. I have read about it in the press, but I have never seen that until today.

Mr. NUNN. Now, I call your attention, General Secord, to exhibit 8, if you would flip the page back. This is a memorandum from Ollie North dated August 31, 1985 and I refer you down to the last paragraph. Do you see that?

Mr. SECORD. The most recent proposal?

Mr. NUNN. Yes. Could you just read that first sentence for us?

Mr. NUNN. The most recent proposal (Copp as agent for the CIA in sales to the Israelis, who will then deliver weapons to the Iranians) can only work if we can get the Israelis to come up on their price.

Mr. NUNN. Who was Copp?

Mr. SECORD. That was a pseudonym for me.

Mr. NUNN. Had you seen this memorandum before?

Mr. SECORD. Never before. Never.

Mr. NUNN. Had Ollie North ever told you that he looked on you as an agent of the CIA?

Mr. SECORD. No, and I think that he will not say that I was.

Mr. NUNN. This memorandum says it though, does it not?

Mr. SECORD. It appears to.

Mr. NUNN. You stated that you viewed Ollie North as a man that is honest, a man of integrity, is that right?

Mr. SECORD. Yes sir.

Mr. NUNN. But you also said that you believed he was rather flamboyant and when you—when he talks to you about whether the President knew and the question about the Ayatollah, using the Ayatollah's funds to fund the Contras, that you didn't know whether that was a joke or serious. What is your testimony on that? I am a little bit confused?

Mr. SECORD. You described it correctly.

Mr. NUNN. One day you said you didn't take it as a joke. The next day you said that he was flamboyant and——

Mr. SECORD. What I said, sir—I believe what I said is, he did not say it in a way that I took it to be a joke, but I also said that I was skeptical of this, of the accuracy of this.

Mr. NUNN. Well, does this mean that you do have doubts about Colonel Oliver North's honesty and integrity?

Mr. SECORD. No sir, I don't have any doubts about honesty and integrity, but people sometimes say things that are a little bit exaggerated.

Mr. NUNN. How do you view this memorandum where he says you are an agent of the CIA.

Mr. SECORD. I don't think that he knew what the technical meaning of the word agent is and I certainly was not an agent of the CIA.

Mr. NUNN. And he never told you this?

Mr. SECORD. Never.

Mr. NUNN. I am a little bit puzzled here, General Secord, about how you concluded, and if you concluded that what you were doing in terms of the Contra diversion was authorized. What gave you certainty that that diversion of funds to the Contras was indeed authorized, and who did you believe authorized it?

Mr. SECORD. It was my belief, and the belief of Albert Hakim, that those funds were the funds of the enterprise and could be spent on projects as the enterprise so desired.

Mr. NUNN. You never discussed this Contra diversion with the President of the United States, did you?

Mr. SECORD. No sir.

Mr. NUNN. Did you ever discuss it with Oliver North?

Mr. SECORD. Yes sir, I have testified to that.

Mr. NUNN. Did he instruct you or request that you make funds available to the Contras?

Mr. SECORD. He suggested it and even urged me to make more than we made.

Mr. NUNN. Did anyone else urge you to make funds available to the Contras?

Mr. SECORD. No sir.

Mr. NUNN. Did William Casey?

Mr. SECORD. No, never.

Mr. NUNN. Did you ever talk to him about it?

Mr. SECORD. No.

Mr. NUNN. Did Admiral Poindexter?

Mr. SECORD. I did not talk to Poindexter about it directly. I was told that he knew.

Mr. NUNN. How about Bud McFarlane?

Mr. SECORD. No sir.

Mr. NUNN. So the only person that ever in any way discussed with you diverting funds to the Contras was Oliver North?

Mr. SECORD. That is right.

Mr. **Nunn**. And yet you say that when he told you the President knew, you still don't know whether he was joking or whether he was serious?

Mr. **Secord**. On that particular point, I don't know.

Mr. **Nunn**. General Secord, you stated rather unequivocably your belief that what you were doing was in pursuance of the President of the United States' policies many times during this hearing. I want to go back and read you a few of those statements and ask you if you believe that these statements apply to the diversion of funds to the Contras.

First—the first statement is page 112 of the transcript quoting you:

> We believe very much in the significance of what we were doing, and our conduct was in furtherance of the President's policies. I also understood that the Administration knew of my conduct and approved it.

Now, does that statement apply to the diversion of funds to the Contras?

Mr. **Secord**. It does apply to the diversion of funds to the Contras, but not necessarily to the Government of Iran. I have testified I don't know whether he knew.

Mr. **Nunn**. Further statement here, page 29, I believe of the transcript:

> It was my belief that the President of the United States was well aware of what we were doing, Congressman Stokes. As a consequence, the Attorney General, it seems to me, had a responsibility to be more than just—to get more than just an incidental dose of the facts before going public with such a startling story.

I ask you the same question: Do you believe—does that statement apply to the diversion of funds to the Contras?

Mr. **Secord**. The same answer, yes sir.

Mr. **Nunn**. Would you mind repeating it?

Mr. **Secord**. No sir. The answer is that, yes, except that I don't know whether the President of the United States was aware of the diversion of funds to the Contras.

Mr. **Nunn**. Another statement, and I won't go much further than this, but you say to Senator Boren on page 46:

> I was told that Mr. Poindexter and the President were being completely informed of all substantive matters.

I ask you, does that apply to the diversion of funds to the Contras?

Mr. **Secord**. No, and I wasn't thinking of diversion in that context.

Mr. **Nunn**. Do you think diversion of funds to the Contras is not a substantive matter?

Mr. **Secord**. Well, I think it is now. At the time, I didn't think that it was a substantive matter. I thought that the operational matters were the substantive matters.

Mr. **Nunn**. So, in all of your statements about carrying out the Presidential policy, none of these referred to the diversion of funds to the Contras?

Mr. **Secord**. You are correct, Senator.

Mr. **Nunn**. You did not think you had Presidential approval of that?

Mr. **Secord**. No.

Mr. NUNN. And you did not believe Oliver North when he said that he had told the President the Ayatollah's money was being used for the Contras?

Mr. SECORD. I said, sir, that I was skeptical.

Mr. NUNN. You wouldn't bet any money on it, though?

Mr. SECORD. No.

Mr. NUNN. Seems to me you would bet an awful lot on it, General.

Mr. SECORD. I don't think I did.

Mr. NUNN. You were operating a multi-million-dollar bank account, and using those funds for that purpose, and yet, now you are saying that the only individual who ever gave you an indication that that was governmentally approved policy was Colonel Oliver North, and you did not believe him?

Mr. SECORD. It was my view that those were private funds, and I believed deeply in the cause we were trying to support in Central America.

Mr. NUNN. And you believe you could have taken those same funds and sent them to Afghanistan had you chosen?

Mr. SECORD. We could.

Mr. NUNN. Or you could have sent them to somewhere in the Middle East if you had chosen?

Mr. SECORD. Yes, sir.

Mr. NUNN. And you still believe you would have been pursuing the general policy of the President of the United States if you had spent them in other places?

Mr. SECORD. I have my views of policy like all citizens do. I think I can try to support policies if I want to.

Mr. NUNN. But you are not willing to send those funds back to the government, or at least you are contemplating that; is that right?

Mr. SECORD. That is correct.

Mr. NUNN. Any conflict between that, one point where you could send them anywhere you wanted to, and spend it anyway you want to spend it, and now you are willing to take that money that you say is——

Mr. SECORD. It is my position that these are private funds. The image and uproar that has resulted from these revelations make me conclude that the best thing to do is to donate them, as I indicated this morning.

Mr. NUNN. But your testimony is you were not an agent of the U.S. Government?

Mr. SECORD. That is correct.

Mr. NUNN. And if Oliver North says you were an agent of the U.S. Government, then he is erroneous and he is wrong, is that right?

Mr. SECORD. Yes, Senator.

Mr. NUNN. Now, the committee may or may not have him testify at some point. You know him very well. You have been involved with him. You said he was very flamboyant, you said you didn't believe him in this particular case, or at least wouldn't bet any money on him.

What would your advice be to the committee when he testifies? Should we believe him?

Mr. SECORD. Yes, sir. I don't think I said he is very flamboyant, I said from time to time, he is flamboyant, or words to that effect. I believe he will testify to you fully and honestly.

Mr. NUNN. You would believe him under oath, then?

Mr. SECORD. Yes, sir.

Mr. NUNN. How about Admiral Poindexter?

Mr. SECORD. Absolutely.

Mr. NUNN. General, one other line of questioning very briefly here.

You were in the business for the U.S. Government, you worked for the U.S. Government in arms sales, did you not?

Mr. SECORD. Yes, sir.

Mr. NUNN. How broad a scope? Did you cover the whole world or just a portion thereof?

Mr. SECORD. I covered the whole world.

Mr. NUNN. What areas, in your own mind, were most crucial in the arms sales you were covering?

Mr. SECORD. Politically, the most crucial, or of most concern to those of us in the Defense Department and State Department at the time were arms sales in the Middle East.

Mr. NUNN. In the Middle East?

Mr. SECORD. Yes.

Mr. NUNN. Which countries?

Mr. SECORD. The biggest problems we had were the much-publicized Saudi Arabian transfers. Those were the ones that I remember now as causing me the most concern.

Mr. NUNN. How about Turkey, Pakistan?

Mr. SECORD. Pakistan was also a very difficult thing for us at the time. I remember the F-16 sale in particular caused me quite a bit of difficulty. A lot of Members of the Congress had serious questions about that sale.

We had to respond repeatedly.

Mr. NUNN. What was the mark-up on those sales normally, governmental sales, or governmentally approved sales?

Mr. SECORD. Governmental sales were marked up only by small percentages after all costs computed by the auditors were included.

Mr. NUNN. What would you have thought if Congress had required 130 to 150-percent markup on those sales where we were trying to encourage friends?

Mr. SECORD. Well, I don't think that we would make a lot of these sales, and we wouldn't be able to implement our policy as well.

Mr. NUNN. Well, were you the only one who set the price on these sales to Iran?

Mr. SECORD. As I have testified, I discussed it with North and at least one of his assistants to try to get the pricing information, and we took into account Ghorbanifar's offer, and priced it that way.

Mr. NUNN. Just very briefly here, in February 1986, according to the testimony, you charged the Iranians $10,000 for 1,000 TOW missiles, for which you had paid $3.7 million—$10 million, of which you paid $3.7 million, is that approximately right?

Mr. SECORD. That is correct. That price had to include the entire cost of getting them from the United States successfully to Iran.

Mr. NUNN. And then on May—in May and July of 1986, you charged $15 million for Hawk spare parts and 508 TOW missiles, for which you had paid $6.5 million, is that approximately correct?

Mr. SECORD. Yes, Senator.

Mr. NUNN. October, 1986 you had 500 TOW missiles that you charged the Iranians $3,600,000, you paid the CIA $2,037,000, is that approximately correct?

Mr. SECORD. Of course, that is correct, but we also had a lot of expenses, as I testified earlier.

Mr. NUNN. I understand. In terms of markup, this is two cases—in one case, you tripled the price, in another you doubled the price, and in another case it was about a 76 percent markup. They average out about 130, 140 percent markup.

Mr. SECORD. I don't think you are including the expenses, and the Defense Department does include expenses.

Mr. NUNN. How much then would you deduct for expenses? Would it get it down to 100 percent markup?

Mr. SECORD. Perhaps. I haven't made that calculation.

Mr. NUNN. Is that the way to make friends, to make people happy?

Mr. SECORD. I testified to the circumstances we were operating in, Senator. The Iranians were perfectly willing to pay this price. I had to have the necessary operating revenues in order to make this project go.

Mr. NUNN. Is that the way you believe the United States should go about if we chose to establish a strategic relationship with a country that has been hostile?

Mr. SECORD. No, sir. I prefer the foreign military sales form, but in this case it was not a foreign military sale; it was a covert action through commercial companies.

Mr. NUNN. Did it bother you that the strategic relationship may have been in jeopardy if the Iranians found out about the price?

Mr. SECORD. No, because we were able to explain it.

Mr. NUNN. You got the money in advance from the Iranians before the arms were delivered?

Mr. SECORD. We had to have it in advance, yes, sir.

Mr. NUNN. You got the money before hostages were released, did you not, at least the sales that are relevant thereto?

Mr. SECORD. I believe that is correct.

Mr. NUNN. Did you worry that the Iranians might find out about the markup and retaliate against the hostages?

Mr. SECORD. No. It was not a worry of mine at the time, and when we discussed these prices after the microfiche incident, when we discussed these prices with the second channel representatives of the Iranian Government, there was no problem.

Mr. NUNN. Didn't you say that they produced a list and you had to sort of maneuver a little bit to prevent them from finding out, or at least you said that wasn't the right list of prices, didn't I hear that earlier?

Mr. SECORD. This is with Ghorbanifar. I am referring to discussions with the second channel, when we addressed the entire episode.

Mr. NUNN. So you weren't worried that the markup would jeopardize the strategic relationship that you were trying to establish, and you weren't concerned that the hostages might be retaliated against if they discovered the markup?

Mr. SECORD. No. The Iranians well knew that we had to operate this enterprise. They knew it in detail. They were quite satisfied for it.

Mr. NUNN. It seems there are three or four theories floating around about the Iranian arms sale. One is trying to establish a strategic relationship, the second, relating to the hostages, a third theory would be that it was primarily a Contra fund-raising exercise, and a fourth theory is that it was primarily a profit-making venture for those involved. Of those four theories, which would you subscribe to?

Mr. SECORD. One and two.

Mr. NUNN. It seems to me the pricing was more compatible with three and four.

Mr. SECORD. I don't agree with that.

Mr. NUNN. I think we will leave that for others to judge.

Thank you, Mr. Chairman.

Chairman HAMILTON. The gentleman from Michigan, Mr. Broomfield.

Mr. BROOMFIELD. Before I ask you a few questions, I want to get a few things off my chest. As your appearance comes to a close before this committee, I want to thank you for coming here voluntarily and for being so open and candid with this committee. As a member of this special panel who has been listening to you for the past three-and-a-half days, I want to tell you that your years of dedicated service to our country is deeply appreciated.

I imagine you are more than a little bit surprised by the direction of the questioning of this panel. I understand that this committee's role was to focus on all the facts and where the system failed and to make recommendations and possible appropriate legislation to prevent it from happening again.

Now, I want everyone to know that I am not a former prosecutor. I am not even a lawyer, but I have got some common sense, and I am not one of those who is predicting who should or who shouldn't be indicted. If there is evidence of criminal wrong-doing by individuals involved in this affair, I would hope that the committee would leave that to the special prosecutor. That is not our job.

I have been involved with foreign policy for more than 25 years as a Member of the House Foreign Affairs Committee, and from that perspective, I think a great deal of blame for this foreign policy foul-up rests right at the doorstep of Congress. Over those years, as everyone knows, there has been a great change in the Constitutional role of Congress in making foreign policy. Since Vietnam, Congress likes to boast that it has been an equal partner with the President in shaping foreign policy. I think Congress ought to shoulder the blame for an on-again/off-again foreign policy in Nicaragua.

President Reagan, who still carries the burden of making foreign policy, must deal almost daily with the 535 Secretaries of State in the House and Senate who seldom can form a simple majority around a single issue.

I guess what I am trying to say, General, is that the problems you are confronting in trying to assist your country were the direct results of Congress' inability to maintain a consistent policy line regarding Nicaragua. If Congress had been able to get its act together, there would have been no need for the covert efforts to bridge the gap in our policy.

I have several questions I would like to ask you. As a former senior U.S. official with experience in covert operations, what do you think are the proper roles of the President and Congress with respect to such operations?

Mr. **Secord**. I believe that the proper roles are well spelled out in Hughes/Ryan. When I went into this, I wasn't very familiar with those acts. When I dealt with the CIA in my earlier years, there were no such acts. Given the political circumstances that exist in our country today, I understand the necessity for the President to notify the Congress on such serious matters as covert operations.

In this particular set of circumstances we have been talking about with respect to Iran, hindsight was wonderful, but it seems to me that there was a big political error on the part of the President not to at least notify the eight men, which he could have opted to do. I think that would have been—made the Congress, like it or not, a partner in the venture, and I think it would have been much wiser for him to do that, especially since we were dealing with foreigners. I don't think we should have had to worry so much about security of eight men. I don't have a problem with how it is spelled out now in my mind.

What I have a problem with is the continual assumption in this country that covert operations are wrong. This is a dangerous world we live in today, and sometimes the President, who has security responsibility for this Nation, in my opinion, has to have this tool available. He uses it seldom, but sometimes you have to use it.

Mr. **Broomfield**. General, what effect do you believe that these highly publicized proceedings will have on the willingness of foreign countries and individuals to cooperate with the United States on proper covert operations in the future?

Mr. **Secord**. In my opinion, the whole world is laughing at us. We have been hearing a lot of talk about the cleansing effect of these kinds of hearings. I don't believe that. I don't think it does that. I think it opens up our guts to the rest of the world, they not only don't trust us like they used to, they also laugh at us.

Mr. **Broomfield**. General, you have been critical in your testimony of the CIA. What should be done to improve the CIA's capability to carry out covert operations in support of U.S. policy; or, in fact, is covert action dead in the water?

Mr. **Secord**. That is too tough a question for me to answer about whether it is dead in the water. I hope it is not. The President and Congress need this tool, in my opinion.

With respect to what should be done out of CIA, I think you need to get a strong director in there with experience in the field of paramilitary operations and covert operations. I think that the senior officers on the covert side, the clandestine services, should be likewise. I don't think we should have Deputy Directors of Operations who have never even been a Chief of Station.

Mr. **Broomfield**. One outstanding question which continues to concern me is the approximately $2 million unaccounted for in your previous testimony. I know you have had a few days now to think about it. Could the $2 million have been Mr. Hakim's profit, and would he have told you if he had taken a profit from the transaction?

Mr. **Secord**. Part of that could be Mr. Hakim's profit, and it is possible. We haven't been able to determine that yet from the records. We haven't gone into all those accounts. We didn't have time. I believe that the accountants will be able to answer that question soon, and I volunteered to help them identify line items.

Mr. **Broomfield**. The pursuit of the money trail is still one of my priorities, and I hope your continued cooperation will assist the committee in pursuit of this very important issue.

Mr. **Secord**. I will cooperate, sir.

Chairman **Inouye**. Thank you.

I am now pleased to present and call upon the gentleman from Maryland, Mr. Sarbanes.

Mr. **Sarbanes**. General Secord, I want to focus on the enterprise, as you call it.

Mr. **Secord**. Yes, sir.

Mr. **Sarbanes**. You were sitting over there in Virginia in your office and you got a call from North, I take it, to come down and talk to him, is that right, in 1984?

Mr. **Secord**. Yes, sir.

Mr. **Sarbanes**. It was on the basis, then, of that conversation and subsequent developments that this enterprise was structured and began to function; is that correct?

Mr. **Secord**. Yes, sir.

Mr. **Sarbanes**. What was the purpose of the enterprise when it began?

Mr. **Secord**. It changed greatly over time.

Mr. **Sarbanes**. I understand that, and that is why I asked what its purpose was when it began.

Mr. **Secord**. As I have testified, when we began it was an arms brokering deal for profit.

Mr. **Sarbanes**. And the arms were to go where? I thought there was a cause involved with the enterprise, that you undertook it because you had a cause in mind.

Mr. **Secord**. Yes, we had a cause in mind. I supported the Contra cause before I heard from North and I support it now, and I supported it strongly then. You are right.

Mr. **Sarbanes**. The money into the enterprise, as you call it, you had this enterprise and a number of Swiss accounts there and the money comes into the enterprise. Where did that money come from?

Mr. **Secord**. Initially it came from the FDN accounts.

Mr. **Sarbanes**. In other words, the payments from Calero?

Mr. **Secord**. That is correct.

Mr. **Sarbanes**. Where was Calero getting his money, as you understood it?

Mr. **Secord**. From private donations that he was soliciting around the world.

Mr. **Sarbanes**. From private individuals?

Mr. Secord. That is what I understood. Later I understood that he was soliciting some foreign countries. Whether he got the money or not, I don't know.

Mr. Sarbanes. So that money went to Calero and then to you on an arms deal; is that correct?

Mr. Secord. Yes, sir.

Mr. Sarbanes. Did you also receive money into the enterprise from foreign countries?

Mr. Secord. In the next phase, yes.

Mr. Sarbanes. So they deposited money into these accounts?

Mr. Secord. We believed that on two occasions that that occurred, yes.

Mr. Sarbanes. How did they know how to do that?

Mr. Secord. The name of the account and the account number was given to them by either Colonel North or someone Colonel North was talking to.

Mr. Sarbanes. So they needed the information from Colonel North, who had your number, an account name in order to put the money in; is that correct?

Mr. Secord. Yes, sir.

Mr. Sarbanes. And then private individuals made donations into these accounts, as well?

Mr. Secord. Through some fund-raising exercises and apparently directly, as well.

Mr. Sarbanes. That was direct from the individuals; is that correct?

Mr. Secord. On very few occasions it appears there were some individuals who sent directly to the account. On most occasions it was from fund-raising institutions.

Mr. Sarbanes. What institutions were those, or what individuals were the fund-raisers for those contributions that came into your enterprise?

Mr. Secord. Until recently I didn't know.

Mr. Sarbanes. Do you know now?

Mr. Secord. From the press I know now, but I have never met any of them.

Mr. Sarbanes. What is your understanding now was the source of those funds?

Mr. Secord. From, I believe, two companies that were raising funds here in Washington.

Mr. Sarbanes. Was that the Channell-Miller operation, as you understand it?

Mr. Secord. That is my understanding, yes.

Mr. Sarbanes. So they are the two who pleaded guilty—have entered a plea with the independent counsel; is that correct?

Mr. Secord. That is what I have read, yes, sir.

Mr. Sarbanes. Now, the enterprise was raising this money, is it fair to say that without the cloak of legitimacy that came to the enterprise, other than the arms sales—otherwise, but for the cloak of the legitimacy that suggested this was approved or sanctioned or encouraged by the Administration, you would not have gotten these other monies; is that correct?

Mr. Secord. I am not sure I understand the thrust of the question, sir.

Mr. **Sarbanes**. Well, do you think these foreign countries would have deposited money into the enterprise's account if they didn't have some sense that the enterprise was carrying out purposes that were sanctioned by the Government?

You said yourself that you thought your activities were sanctioned by the Government.

Mr. **Secord**. I understand the question now.

Mr. **Sarbanes**. What is the answer?

Mr. **Secord**. Yes.

Mr. **Sarbanes**. And the same thing with respect to the private individuals?

Mr. **Secord**. Yes.

Mr. **Sarbanes**. And, of course, the money that came from Calero to pay for the arms, that money was raised on the same basis. In other words, people gave money to Calero, either individuals or foreign countries, that understood that that is what the administration wanted them to do; is that correct?

Mr. **Secord**. I assume that is correct.

Mr. **Sarbanes**. Now, why did you—if the purpose of the enterprise was to help the Contras, why did you charge Calero a markup that included a profit?

Mr. **Secord**. We were in business to make a living, Senator. We had to make a living. I didn't see anything wrong with it at the time. It was a commercial enterprise.

Mr. **Sarbanes**. I thought the purpose of the enterprise was to aid Calero's cause.

Mr. **Secord**. Can't I have two purposes? I did.

Mr. **Sarbanes**. So you had a purpose, as well, to make a profit then?

Mr. **Secord**. Yes, I did, and I have testified to that.

Mr. **Sarbanes**. Now, the expenditures out of the accounts of the enterprise—we have reviewed the money coming into the enterprise. The expenditures out of the enterprise, enterprise here originally the purpose was to aid the Contras; is that correct? That is where the expenditures were to go?

Mr. **Secord**. Yes.

Mr. **Sarbanes**. Now, that broadened out; is that correct?

Mr. **Secord**. Yes, sir.

Mr. **Sarbanes**. And what did it broaden out to?

Mr. **Secord**. To the Iran initiative.

Mr. **Sarbanes**. Did it broaden out beyond the Iran initiative, as well?

Mr. **Secord**. I have testified to the procurement of the ship. I have testified to the disbursements made for DEA's purposes which were related to the hostages. I have testified to the procurement of some radio telephones.

Mr. **Sarbanes**. And were these all at the insistence of North or in conversations with North that this ought to be done?

Mr. **Secord**. Yes.

Mr. **Sarbanes**. So the two of you together, with whatever sanction North had from above, were in effect deciding on other projects that the enterprise should carry out; is that correct?

Mr. **Secord**. He was asking me if I would participate. It was voluntary.

Mr. SARBANES. Now, once again, was the carrying out of these activities assisted or enhanced or indeed made possible by the cloak of legitimacy that the activity appeared to have because it was perceived as something which the administration supported?

Mr. SECORD. If it didn't appear to be legitimate to me, I wouldn't have done it.

Mr. SARBANES. Not to you. To others.

Wasn't there an appearance that this had a legitimacy which led them then to cooperate with you in a way which would not have been possible if you were simply a private citizen?

Mr. SECORD. In the case of the ship, there wasn't any cooperation. We used it in the Iran enterprise.

Mr. SARBANES. How about in the case of the DEA?

Mr. SECORD. In the case of the DEA, this was a request from North, which I carried out.

Mr. SARBANES. What about the radio equipment?

Mr. SECORD. Likewise.

Mr. SARBANES. The help you were getting from the CIA people in Central America or the ambassadors in Central America, do you explain that simply that you came along as a private person wanting to do this project and they were ready to help you, or they perceived that you were carrying out a policy supported by the administration?

Mr. SECORD. The answer is both. We were in touch with them and that they perceived that they were carrying out the policy of this administration.

Mr. SARBANES. Which is what you perceived?

Mr. SECORD. Indeed.

Mr. SARBANES. Now, on the sale of the money to Iran, the first reference to that as a diversion was that made by Attorney General Meese; is that correct?

Mr. SECORD. That is the first time I heard the word, yes, sir.

Mr. SARBANES. When you set that up and got the arms at $12 million and sold them at $30 million, you had some costs that would be involved, but you didn't expect your costs to reach from $12 million up to $30 million, did you?

Mr. SECORD. I didn't expect the costs at the time, but I had to have funds in that enterprise——

Mr. SARBANES. You were trying to build up the funds of the enterprise, isn't that correct?

Mr. SECORD. It is correct that I built up the funds of the enterprise in order to make it viable, as I have testified to repeatedly.

Mr. SARBANES. So, you did not regard what took place as a diversion, did you?

Mr. SECORD. No.

Mr. SARBANES. Did you see that as a diversion?

Mr. SECORD. No, sir.

Mr. SARBANES. In fact, that was the purpose, was it—wasn't it a purpose to make a large profit or surplus there, and build up the funds of the enterprises; is that correct?

Mr. SECORD. One of our purposes was to build up the funds of the enterprise so that it would be viable.

Mr. SARBANES. What did you expect the enterprise to do with these funds?

Mr. **Secord**. As I have testified to many times, the funds were required because in my planning, I had to keep this—these operations viable, and I had to have operational revenue in the accounts in order to go forward.

We never knew from one month to the next what was going to be required of us. We were taking it a step at a time.

Mr. **Sarbanes**. When you say required, you meant on only existing projects, but knew once that might come along—the developmental agents or radio equipment——

Mr. **Secord**. That was a very small amount of money, and didn't enter into my planning.

Mr. **Sarbanes**. Did it ever enter into your mind that the enterprise could serve a function to achieve a broader geopolitical end of the United States around the the world?

Mr. **Secord**. No, sir, I was not trying to create my own CIA. My scope was much narrower than that.

Mr. **Sarbanes**. You indicated earlier this morning, in your view, these monies could have been spent elsewhere in the world. A couple of places were mentioned, and that was the beginning of the list.

That was your view, that you could have spent them that way?

Mr. **Secord**. Yes, sir.

Mr. **Sarbanes**. Did you ever discuss with North the possibility of the enterprise being used in this fashion?

Mr. **Secord**. No. It was speculated by him that this was done, and we had no other areas of operation in mind.

Mr. **Sarbanes**. Have you read the Tower Commission report?

Mr. **Secord**. Yes, sir.

Mr. **Sarbanes**. Are you familiar with the—do you recall the PROF note in that report from McFarlane and North about joining him at the Georgetown University Center for Strategic and International Studies, in which McFarlane says,

> How is this for a self-serving scenario?
>
> North leaves the White House in May and takes 30 days leave.
>
> July 1st, North is assigned as a fellow at the CSIS, and lo and behold, is assigned to McFarlane's office.
>
> McFarlane, North continue to work the Iran account as well as to build other clandestine capabilities so much in demand here and there. Just a knee-jerk musing.

Did you note that when you read the Times?

Mr. **Secord**. I read it with interest.

Mr. **Sarbanes**. What was the interest?

Mr. **Secord**. I thought it was a rather remarkable statement. It was not something that either of them ever discussed with me.

Mr. **Sarbanes**. You also wanted to expand the enterprise to go into the making of submachine guns; is that correct? You considered doing that?

Mr. **Secord**. No, that is not that enterprise at all.

Mr. **Sarbanes**. That was to be a separate endeavor?

Mr. **Secord**. Connected with our normal business here in the United States.

Mr. **Sarbanes**. If that had worked out, you would have become a maker, a manufacturer of submachine guns?

Mr. SECORD. We would have a partner in a joint venture to manufacture some submachine guns designed in Utah.

Mr. SARBANES. Would they have been a possible item for sale to the enterprise?

Mr. SECORD. That was never a consideration. This enterprise was to be short-lived, Senator.

Mr. SARBANES. Then, why were you so concerned with building up the money——

Mr. SECORD. Because we had to live while we lived. We don't know how long it would take, the plan was for it to be a short-lived program.

Mr. SARBANES. Let me just close on this note: It is a little hard for me to understand why your objective was to go back into the Government as the Director of Covert Operations, because it seems to me you were on your way to creating a—in effect, becoming the Director of Covert Operations in the private sector.

You had put together an arrangement here whereby you could raise money in a sense, under the auspices of the Government, because there were people connected with the Government in one way or another who were in effect obtaining these funds going into your account.

You then could carry out activities funded by the enterprise, again with the assistance of the Government in one way or another, because you were able to portray yourselves as proceeding within their objectives.

And as you have said earlier, you had a free rein to spend this money. Actually, Hakim would take your direction on how the money would be spent, would he not?

Mr. SECORD. Yes, sir.

Mr. SARBANES. So, even though it wasn't in your name, your direction to Hakim would result in the money being spent for those purposes; is that correct?

Mr. SECORD. Yes, sir.

Mr. SARBANES. Why wasn't this an operation that in many ways would have been superior to being the head of covert operations at the CIA? You would not have had any congressional oversight.

Mr. SECORD. As I have testified, Senator, my government asked me to do these specific projects. They were ad hoc projects, and I was not trying to create my own clandestine services organization.

Mr. SARBANES. You said yesterday, there is no question that the covert operation was designed to be concealed from Congress.

Mr. SECORD. What is the context of that remark? I don't recall it.

Mr. SARBANES. We will get the transcript.

Mr. SECORD. Within the context of the finding—if so, I think, that is correct.

Mr. SARBANES. Well, General, let me just close with this observation: It seems to me what you have done here is construct an arrangement whereby you can go completely outside of any accountability, any normal channels of procedure, where you are getting in effect the assistance of the Government, both in raising the money and in spending it, but you treat the money as though it is completely a private matter, and then proceed to engage in activities as you pick them.

Now, it hadn't gone—in a sense, your cover got blown before this enterprise could have been expanded into other areas, but there is nothing about it that would have inhibited that.

In fact, on the four occasions when North came to you to change the—to expand the purpose from the original purpose of assisting the Contras, you responded on each occasion; is that not correct?

Mr. **Secord**. I did, but there were occasions when I did not respond to direction from Colonel North. It was all voluntary on my part.

Mr. **Sarbanes**. Thank you, Mr. Chairman.

Chairman **Hamilton**. The Chair recognizes the gentleman from Texas, Mr. Brooks.

Mr. **Brooks**. Thank you very much, Mr. Chairman.

General Secord, you just said that you thought that the hearings were damaging to the United States and one product of hearings like this is that other countries wouldn't trust us. Wasn't the real damage to our trust caused by the secrecy and duplicity and the lying that took place in just trying to hide your activities from Congress and from the American people?

Mr. **Secord**. That is not my opinion, sir.

Mr. **Brooks**. I didn't figure it would be.

And, General, you testified yesterday, I believe, that any remaining assets of something you called the enterprise are technically the property of Mr. Hakim and I presume this is because the money is in accounts controlled solely by him; is that correct?

Mr. **Secord**. Yes, sir.

Mr. **Brooks**. Is your name now or has it ever been on any Swiss bank account which contained any moneys belonging to the enterprise?

Mr. **Secord**. Not to my knowledge, and I have never signed any—I have never signed——

Mr. **Brooks**. You have so far refused—I think you have been talking with the staff, you and your counsel—waivers to permit the release of records for some bank accounts in Switzerland. What accounts are those and whose money is in them?

Mr. **Secord**. The waiver, the request for waiver is for any bank account to which I am signatory. And I am not signatory to any bank account.

Mr. **Brooks**. Have any accounts been moved around into Mr. Hakim's accounts that were once under your control?

Mr. **Secord**. Any bank accounts? No.

Mr. **Brooks**. Now, you have testified, General, on several occasions that you undertook these activities because you thought they would further the policies of the President. Policies with which you agreed. The President has stated many times publicly that the United States would not under any circumstances negotiate with or pay ransom for hostages.

Nevertheless, you and a few of your friends and associates, a few of his aides, undertook to do just that in the Iranian situation. What I would like to know is which one of the President's policies on trading hostages with which you agree?

Mr. **Secord**. That wasn't my operation. You are referring to the Cyprus operation. That was not my operation. That was Colonel North's DEA operation which I finally sent one of my operatives to look in on it because it looked so flakey to me. Certainly not my operation.

Mr. Brooks. Now, Mr. Secord, in 1972 in seeking a degree from the U.S. Naval War College, you submitted a masters thesis, the subject of which was unconventional warfare, covert operations as an instrument of U.S. foreign policy.

In that thesis you maintained that the Pentagon should be "removed from the chain of command and that the CIA should be made the authority for covert operations."

In conclusion, you stated in the judgment of this writer, the unconventional warfare instrument of national policy is so important that bureaucratic obstacles should be dismissed out of hand.

Now, is that general concept what was being followed in Iran and Contra projects when the participants went to such great lengths to keep the Congress and the intelligence committees and the appropriate committees and the American people from knowing what was going on?

Mr. Secord. The report that you just read comes from a newspaper report and since 1972 I have had one or two changes in my views of the world and one of those changes—and I have made public speeches to this effect—was just the opposite. I have changed my mind in recent years because I saw the paramilitary capability of the agency withering away and decided that we would have to somehow create a special operations command in the Pentagon and I strongly supported that.

I have testified before congressional committees to that effect. So I am on the record in recent years with just an opposite opinion.

So I hate to score my own thesis but my view changed, sir.

Mr. Brooks. I appreciate your view but I would point out that this was not taken from the newspaper clipping to which you referred but was extracted directly from the Naval War College, Newport, Rhode Island, unconventional warfare, et cetera, by Richard V. Secord, Lieutenant Colonel, U.S. Air Force, taken straight from the document I have here and we will submit for the record.

[The document referred to appears at p. 638]

Mr. Secord. I knew you were reporting from the document, sir. I am saying that the theory that I was operating to do according to some assertions I made then was what was in the newspapers and that is why I was aware of it and I am just trying to explain to you that that is not the case.

Mr. Brooks. You don't agree with that now?

Mr. Secord. No.

Mr. Brooks. Now, the Philadelphia Inquirer recently reported that you were a participant in a special counter-terrorism unit created under NSDD, directive signed by President Reagan April 3, 1984. Are you or have you been involved in such a unit and if so, does that activity have anything to do with your involvement in the Iran or contra affairs?

Mr. Secord. No. I think that they had heard that I was—as I have testified—the deputy commander of the hostage rescue task force in 1980 and it is well known that the current counter-terrorist units evolved from that old task force.

I have never had any other involvement.

Mr. **Brooks**. General, since your retirement from the Air Force in 1983, have you been paid by any Federal Government agency for any services other than in the matter you have previously described for this committee?

Mr. **Secord**. No.

Mr. **Brooks**. Now, Mr. Secord——

Mr. **Secord**. That is wrong. I retract that.

I am a sometime lecturer at one of the special operations schools of the Air Force for which they pay me $200.

Mr. **Brooks**. Special Operations Advisory Group. Yes. Thank you for correcting that.

General, when you were at the Pentagon overseeing foreign military sales, may I assume that you were actually familiar with the various laws governing those sales and provisions of the Arms Export Control Act?

Mr. **Secord**. At the time that I left, I was fairly familiar with the laws. Of course, they get amended each year.

Mr. **Brooks**. And you saw to it that those provisions were complied with during your stewardship over at the agency?

Mr. **Secord**. Yes sir, absolutely.

Mr. **Brooks**. And you are aware that the law governing the support of arms contains extensive restrictions on the export of arms, particularly to governments which grant sanctuary to international terrorists?

Mr. **Secord**. I was never aware of this particular controversy until it broke in the newspapers. That is a recent edition to the law, I believe.

Mr. **Brooks**. Would you have characterized the Government of Iran as such a government?

Mr. **Secord**. It was our view that the Government of Iran had been a terrorist government, but they had ceased and desisted acts against the United States interests for a period of about 18 months, and that was the CIA view.

Mr. **Brooks**. Do you recall whether or not the Arms Export Control Act contains provisions requiring that sales such as TOW missiles be reported to Congress?

Mr. **Secord**. Under that act, under foreign military sales, that is correct, and I believe that is why the attorneys chose to go a different route.

Mr. **Brooks**. Did you know what authority the CIA had to sell weapons to foreign governments?

Mr. **Secord**. Not specifically. I am no lawyer, sir. But I believe they have that statutory authority.

Mr. **Brooks**. Do you know what authority the CIA has to sell weapons to private citizens?

Mr. **Secord**. I believe they have that authority.

Mr. **Brooks**. And to whom do you maintain the CIA sold the TOW missiles and the Hawk spare parts?

Mr. **Secord**. To my enterprise, which in turn sold them to—through Ghorbanifar initially and then the second channel later—to Iran.

Mr. **Brooks**. And with your pretty extensive knowledge to the law covering foreign military sales, were you not somewhat concerned about the legality of these Iranian transfers through the shell operation and did you feel some question about those, the legality of that? Did you try to assure yourself that these activities were legal and above board?

Mr. SECORD. I wasn't concerned in the slightest, sir. There were CIA lawyers, including the General Counsel himself, who worked on this matter.

Mr. BROOKS. Well, I have one further question, and I want to thank you for your long tour here as a witness. You have spoken very highly of Thomas Clines, and Raphael Quintero.

Mr. SECORD. Yes sir.

Mr. BROOKS. And you indicated that you would use the services of both in your Contra or Iran projects, some of them. As you are no doubt aware, you and Thomas Clines and Raphael Quintero and others have been sued by the Federal Government in Florida for a vast area of alleged illegal and corrupt practices, beginning as far back as 1960s. Did you know about that?

Mr. SECORD. Of course I knew about it.

Mr. BROOKS. Well, the allegations included the organization of an assassination program funded by the drug kingpin in Laos, and laundering of millions of dollars skimmed from sales of military weapons to the Shah of Iran, and the provision of military services to Somoza, and laundering Colombian drug money.

But anyhow, would you tell the committee how you came to know both Thomas Clines and Raphael Quintero and describe your involvement and transactions with them?

Mr. SECORD. Can I comment on this suit? I mean, the charges——

Mr. BROOKS. You might do that too, if you would like, but I would first like you to tell me how you came to know Thomas Clines and Raphael Quintero and what your relationship with them was and——

Mr. SECORD. I first met Thomas Clines in 1968 and he and I served together in Laos in combat for a several year period. He is an old friend of mine. A good soldier. A man that I have a lot of regard for. He had some problems in the EATSCO affair. I believe he was treated unfairly there. The Justice Department did not convict him. They went for a technical charge instead. So I don't drop friends easily. He was a friend then and a friend now.

I met Raphael Quintero many years later through him. He was a man who had worked for Clines in the CIA.

Mr. BROOKS. You had no business dealings with him?

Mr. SECORD. No.

Mr. BROOKS. You just happened to call him back in on your Contra and Iran projects?

Mr. SECORD. That is right.

Mr. BROOKS. Thank you very much, Mr. Chairman.

Chairman INOUYE. Thank you very much.

Mr. SECORD. May I make one further statement, sir?

Chairman INOUYE. Please do.

Mr. SECORD. I meant to come up to the Congressman's question. This suit, which was filed from May of last year, is the most outrageous fairy tale that anybody has ever read. Nobody, including the Justice Department, credits it at all. It is being dealt with. I can only fight on so many fronts at once. I regard that one as a rather *minor threat which will be tossed out of court shortly.* In fact, they have not even managed—for some reason, they have forgotten me. They have not even served me, so technically I guess I am no longer on the suit.

Chairman INOUYE. Thank you very much.

The hearing will stand in recess until 2 p.m., this afternoon.

[Whereupon, at 12:09, the committee was recessed, to reconvene at 2 p.m., the afternoon of the same day.]

AFTERNOON SESSION

The select committees met, pursuant to recess, at 2 p.m., in room 325, Russell Senate Office Building, Hon. Daniel K. Inouye (chairman of the Senate Select Committee) and Hon. Lee H. Hamilton (chairman of the House Select Committee) presiding.

Chairman INOUYE. I am pleased to recognize the gentleman from Maine, Senator Cohen.

Mr. COHEN. Mr. Secord, I agree with a couple of statements you made this morning in response to opening statements made by Members of Congress, that we do need to have covert operations as a part of our foreign policy arsenal as such, I assume provided that it is conducted within the meaning, strict letter and spirit of the law.

I think you would agree with that. I disagreed with your statement concerning we need a specialist in covert operations in order to be the Director of the CIA, since you have just disqualified Judge Webster from assuming that position.

I am not aware that he has such expertise.

Mr. SECORD. I wasn't intending to disqualify the Judge, sir.

Mr. COHEN. I am sure he will be pleased to hear that.

Did Oliver North ever tell you that President Reagan would be most grateful if this individual that you contacted on his behalf, on this country's behalf, to raise funds, would be very grateful if his country would contribute?

Let me rephrase that. You approached a certain individual from a country we will call country X, which is not geographically approximate to the United States, right?

Mr. SECORD. Right.

Mr. COHEN. And you approached that particular individual at Oliver North's behest——

Mr. SECORD. Yes, sir.

Mr. COHEN. And did he tell you at that time to tell this individual that the President would be most grateful for a contribution from that country?

Mr. SECORD. No. He asked me to refer to a conversation that Mr. McFarlane apparently had had with the individual.

Mr. COHEN. In your conversation with that individual, you said that "The President of the United States would be most grateful for your assistance in this matter?"

Mr. SECORD. He asked my opinion, and I said it was my opinion that since this was a high priority matter with the President of the United States, that he would be happy with it. Yes, that is my opinion. No one said to me the President said to do this.

Mr. COHEN. You had two contacts with this individual?

Mr. **Secord**. I had two contacts with him with respect to solicitation for a donation.

Mr. **Cohen**. And you had additional contacts with him for other purposes?

Mr. **Secord**. Not until very recently, and that was around the 20th of November, I think. 1986.

Mr. **Cohen**. Of 1986?

Mr. **Secord**. Yes.

Mr. **Cohen**. I will come back to that in a moment.

What did you mean when you said the President would be most grateful or happy to have this contribution. What did that imply, in your judgment?

Mr. **Secord**. In my judgment, I was saying that I believed to be true, that the President would welcome donations to the Contras.

Mr. **Cohen**. Do you think that is an appropriate policy to pursue, to have foreign governments contributing to programs or policies of the United States that have been at least circumscribed by the Congress, if not rejected by the Congress?

Mr. **Secord**. I don't think it is particularly inappropriate. It is not my preference. I believe it was made legal in some legislation.

Mr. **Cohen**. That was long after you had approached him, though, wasn't it?

Mr. **Secord**. It wasn't illegal then. It is not my preference to be frank with you. It is unseemly, I think, but in this case, there was a pretty desperate situation.

Mr. **Cohen**. Why would a country want to contribute to a program of the United States?

Mr. **Secord**. Because they have great trust in the United States, because they expect the United States as the leader of the free world and the defender of the free world. They want to protect the United States to the extent they can.

Mr. **Cohen**. Do they expect some sort of reciprocity in the future?

Mr. **Secord**. I don't see how in this case. They might be thinking that it might improve relations to a small degree.

Mr. **Cohen**. It is a fair assumption that if one country contributes to a program, or several do, that they would expect something in return in the way of evenhanded treatment in the future, or perhaps beneficial treatment with a controversial program in the future. That might enhance their opportunity to have a President who has been grateful for a contribution?

Mr. **Secord**. I agree with you, sir.

Mr. **Cohen**. That is part of the unseemly aspect of it, when you have other countries who are making contributions and creating at least an implied sort of obligation without the knowledge or consent of Congress or the American people?

Mr. **Secord**. I agree with an earlier statement by a Senator, who said, I think—where there is a quid there is a quo.

Mr. **Cohen**. I agree with that too. I think it was a remarkably perceptive statement on his part. I don't recall who it was at this point.

Mr. Zucker, when did you first meet him?

Mr. **Secord**. In 1984.

Mr. **Cohen**. And where did you meet him?

Mr. SECORD. In Geneva.

Mr. COHEN. In the summer of 1984?

Mr. SECORD. Probably about that time, yes.

Mr. COHEN. For what purpose did you meet Mr. Zucker at that time?

Mr. SECORD. Mr. Hakim introduced him to me. Mr. Hakim had done business with him for years.

Mr. COHEN. And what was the nature of your conversation with him at that time?

Mr. SECORD. It was about our fledgling business, what the projects were, some of the projects that we were undertaking.

Mr. COHEN. Which business?

Mr. SECORD. My international business, Stanford Technology Trading Group, International. Some of the projects that we were hoping to undertake, some work that we were pursuing in the Middle East.

Mr. COHEN. So you were discussing a financial arrangement with Mr. Zucker as a banker?

Mr. SECORD. We were talking to him about the prospects of him as a banker and as a lawyer and adviser both.

Mr. COHEN. As a banker, I assume he is in the business of making money?

Like Mr. Liman, he is not a philanthropist?

Mr. SECORD. There is no doubt.

Mr. COHEN. When you testified that $500,000 had been credited to your account—the Stanford Technology Account—you said you thought that was a loan?

Mr. SECORD. That is right.

Mr. COHEN. What led you to that conclusion?

Mr. SECORD. Because we had made a loan agreement with Mr. Zucker.

Mr. COHEN. Was that in writing?

Mr. SECORD. There is at least one that is in writing. I think there were two.

Mr. COHEN. Does the committee have copies?

Mr. SECORD. Of at least one.

Mr. COHEN. What did those loan agreement provide? That there would be no promissory note needed to be executed?

Mr. SECORD. There was a note executed.

Mr. COHEN. Did it provide for interest to be paid on the note?

Mr. SECORD. It was a standard line of credit, a standard line of credit.

Mr. COHEN. It provided for interest to be paid on the note?

Mr. SECORD. Indeed.

Mr. COHEN. Was it a time note or demand note?

Mr. SECORD. It was openended. We were in a startup situation and anticipated needing financing. We didn't have enough clients to go around at that point, although we were pretty much breaking even.

Mr. COHEN. What was the rate of interest to be paid?

Mr. SECORD. I don't recall. Whatever the standard rate was at that time.

Mr. COHEN. Do you know whether or not interest was paid on those loans?

Mr. SECORD. There were no payments on the loans.

Mr. COHEN. When were those loans made, if you recall?

Mr. SECORD. I don't recall the dates, Senator Cohen. I would have to look at the records.

Mr. COHEN. So Mr. Zucker did not pursue his interest in securing the interest on the notes?

Mr. SECORD. No. Mr. Zucker was interested in us pursuing business so that he could enjoy the benefits from the loans that he gave us and perhaps go into joint ventures with us as well. He is a businessman.

Mr. COHEN. Apparently he was willing to do this for about two years without payments on the notes?

Mr. SECORD. I think it was less than two years.

Mr. COHEN. Did Mr. Hakim make any disbursements from the Lake Resources account?

Mr. SECORD. Yes sir.

Mr. COHEN. Do you know to whom?

Mr. SECORD. I don't know everyone to whom he made disbursements. I have been trying to identify by line items detail from his record.

Mr. COHEN. Do you know whether or not he made disbursements to Mr. Zucker?

Mr. SECORD. Yes, there were payments to Mr. Zucker there.

Mr. COHEN. Were you watching very closely how the money was being handled out of Lake Resources?

Mr. SECORD. Not very closely. The record shows I think how I was trying to keep track of it in a macro-sense and I turned over my notes on that.

Mr. COHEN. I was concerned about this because, as I understand it, the operation was shifted away from Mr. Calero and you were brought into the picture because there was some suspicion, or at least anxiety over the fact that there was money either not allocated to proper purposes or money was missing, or perhaps there was a fear that money was being skimmed away into the wrong hands, is that correct?

Mr. SECORD. Yes.

Mr. COHEN. What oversight was there with regard to how Lake Resources was spending its money?

Mr. SECORD. I asked Mr. Hakim to be the financial manager and to set up a modern auditing system, which included a computer system, and I expected him to do that, and those are the records you have.

Mr. COHEN. So you entrusted the entire financial oversight to Mr. Hakim?

Mr. SECORD. As I testified, he came to me from time to time to try to reconcile things. There were a lot of bookkeeping problems. Problems were cascading on me in 1986 and we never got it quite done. But you have all the records, as far as I know.

Mr. COHEN. In January 1986, January 16 or 17, that you were at the White House, during the course of the drafting of the finding apparently you told Admiral Poindexter that you were repulsed by the idea of trading arms for hostages?

Mr. SECORD. I told him that I would not be interested in a simple arms-for-hostages swap.

Mr. Cohen. You used the word you were "repulsed" by it?

Mr. Secord. I may have.

Mr. Cohen. Were you repulsed by the notion that the DEA agents were going to pay ransom for hostages in Lebanon?

Mr. Secord. I didn't learn of it until the program was a fait accompli. I think I was made aware by Mr. Clines when he reported to me what was going on.

Mr. Cohen. Would that have repulsed you at that time?

Mr. Secord. I am not in favor of it. I sent Clines there to find out what was going on. They were planning to use some of our assets in the operation.

Mr. Cohen. As a matter of fact, money was requested from Contra funds to be put in DEA funds, right?

Mr. Secord. That is correct.

Mr. Cohen. Mr. Calero had to come up with money to pay for some of the travel expenses for those DEA agents to go over?

Mr. Secord. I don't know if he did or not.

Mr. Cohen. You are not aware of that?

Mr. Secord. No.

Mr. Cohen. Would you find it ironic to use the phrase that Contra funding would have to be diverted to the Lebanese project?

Mr. Secord. I find it to be very new to me. I never heard it before. If that happened, it is very strange. The money was needed in the Contra accounts.

Mr. Cohen. I think the evidence will indicate that—at a future time that, in fact, Mr. Calero was requested to produce cash, travelers' checks, to be used for this purpose. So we had, in effect, a reverse Contra program being carried out to pay ransom?

Mr. Secord. It makes no sense to me, Senator.

Mr. Cohen. When the second channel was set up, you stated, I think, that you were to pay 500 TOWs for one hostage at that time, after that second channel had been set up.

Mr. Secord. There was a mutually agreed plan that was developed which had seven substantive points to it. The first step was to deliver—and I don't have the plan, I was hoping it would be in the Tower Report, but only part of it is there—the first step, as I recall through from memory, was to deliver the 500 TOWs.

The next step——

Mr. Cohen. In exchange for what?

Mr. Secord. The next step was for them—this is an exercise in bona fides, good faith—they are then to deliver either one or two of the hostages in Lebanon.

Mr. Cohen. I think one and a half is what you indicated earlier?

Mr. Secord. That is what the agreement said, but that seems a little crude. It was either one or two. And they had to explain to the satisfaction of the United States if they were unable to get to the second one, because they claimed they were working very hard on the second one.

Mr. Cohen. Weren't you repulsed by that exchange?

Mr. Secord. Not particularly. Maybe I was too mercenary by this time. But it seemed they were carefully pursuing the entire plan which would have rapidly led to high-level meetings, which was what the United States was after at that time.

Mr. COHEN. So you didn't have that moral revulsion about an exchange of hostages for weapons then?

Mr. SECORD. I did not because there was a larger plan.

Mr. COHEN. Did you have a fairly minimal role in the Contras, two contacts with Mr. X?

Mr. SECORD. That is correct.

Mr. COHEN. So if you were to be billing anyone on an hourly basis, would it be fair to say it was not an insignificant amount?

Mr. SECORD. That is correct.

Mr. COHEN. Did you ever represent to Mr. Calero that you were going to try to raise $15 to $25 million?

Mr. SECORD. I told him I heard that amount was trying to be raised. I didn't give him the details.

Mr. COHEN. And after that $24 million was deposited to the FDN account?

Mr. SECORD. I did not know that. I was told $15 million came in. In fact, I asked him about it because I heard about it.

Mr. COHEN. Did you ever represent to him that you, in fact, had played a role in securing the funds?

Mr. SECORD. I think I mentioned to him that I had played a role.

Mr. COHEN. In fact, you had a very minimal role.

Mr. SECORD. I made the two approaches I was asked.

Mr. COHEN. Which ran over a couple of minutes, and you backed away because they had already been approached?

Mr. SECORD. Correct.

Mr. COHEN. Don't twist my arm, that was the statement made to you?

Mr. SECORD. Right.

Mr. COHEN. Were you no competition with General Singlaub for providing weapons to the Contras?

Mr. SECORD. No.

Mr. COHEN. Did you ever tell Mr. Calero that Singlaub could not produce certain weapons for a particular price?

Mr. SECORD. Which particular weapons?

Mr. COHEN. Are you aware that Calero had sought to purchase weapons through General Singlaub?

Mr. SECORD. I was aware that he did.

Mr. COHEN. Did you ever make statements to Mr. Calero that General Singlaub could not deliver?

Mr. SECORD. I don't recall saying that. I do recall telling him that some of his people had asked me if I could deliver them.

Mr. COHEN. But you never stated to him that he couldn't deliver?

Mr. SECORD. No, I didn't say that. I said they are asking me to deliver.

Mr. COHEN. With respect to removal of documents from your office, I think you indicated before that some documents were shredded, telexes that were unimportant for your purposes. Were any documents ever removed from your office, to your knowledge?

Mr. SECORD. Documents were removed from my office frequently.

Mr. COHEN. Following exposure of the Iran operation and the Contra operation, were documents removed?

Mr. SECORD. Yes. As you know, one of my secretaries brought me two boxes of financial documents which I went over in an attempt to recapture or capture the financial data that I was looking for which was costs to be reimbursed to STTGI. After the revelation on 25 November, I was concerned that we would not get the reimbursements back into our company if I didn't act fast. I was unfortunately unable to get that data because I had the wrong records. The accountant had the sheets I was looking for. All I had was raw data, which I couldn't handle.

Mr. COHEN. What happened after that?

Mr. SECORD. I returned them, and you have them.

Mr. COHEN. Where were the documents delivered?

Mr. SECORD. To the independent counsel.

Mr. COHEN. Were they removed from your office, or did you review them there?

Mr. SECORD. They were removed from my office, I had her put them in my car, I took them home, my office was not a very nice place at that time, I reviewed them, I took them back, and you have them all.

Mr. COHEN. To your knowledge, did your secretary ever remove documents and take them to a hotel, the Embassy Suite?

Mr. SECORD. Those are the documents. She put them in my car at that hotel.

Mr. COHEN. So she took them from your office and took them to your car, which was at the Embassy Hotel?

Mr. SECORD. Yes.

Mr. COHEN. You were staying at the hotel at that time?

Mr. SECORD. No, I was just meeting there.

Mr. COHEN. Did you have a meeting there?

Mr. SECORD. A brief meeting.

Mr. COHEN. Who did you have a meeting with?

Mr. SECORD. With my counsel, Mr. Green. I testified one day we met in one hotel, and the next day, the 26th, we met in a different hotel because I didn't want the press chasing me.

Mr. COHEN. Was Oliver North there as well?

Mr. SECORD. Yes, for a period.

Mr. COHEN. And Brendan Sullivan?

Mr. SECORD. And his lawyer appeared.

Mr. COHEN. Would you explain again for me, after you had the face-to-face meeting or the face-to-face meeting took place in Frankfurt between the United States official and Iranian officials, why was it necessary to have you continue as the commercial cutout at that point?

Mr. SECORD. The U.S. Government wanted me to continue at that point, and so I did.

Mr. COHEN. But the rationale behind it was that we couldn't have face-to-face dealings because we were the Satan, and they wouldn't deal with Satan?

Mr. SECORD. Yes, but this was just one representative secretly meeting with us, and he was very concerned about being exposed.

Mr. COHEN. Congressman Cheney asked you this morning, he asked you whether or not the weapons that were in fact transferred would ever have an effect upon the balance of power in the Middle East and I think you indicated no. What about the sharing of the intelligence with the Iranians? Would that have affected, in your judgment, any balance of power?

Mr. SECORD. In my judgment if such an intelligence arrangement were ever placed into operation, it could have a significant effect on it.

Mr. COHEN. Wasn't that part of the agreement that was reached in dealing with Mr. Ghorbanifar that the Iranians were insisting upon having access to intelligence as well as the weapons?

Mr. SECORD. It wasn't clear what they were insisting on. At the February meeting they were not even particularly interested in it, which surprised me.

Mr. COHEN. When was the intelligence produced for them?

Mr. SECORD. In February of 1986.

Mr. COHEN. So in fact they were seeing some intelligence documentation from the United States at that time?

Mr. SECORD. Yes, but it was very limited. It was sample intelligence. It wasn't——

Mr. COHEN. A sample of things to come?

Mr. SECORD. A sample of things that could come if an agreement could be reached, but, you see, there was no agreement. The plan was to have the high level meeting at Kish Island and that would be one of the agenda items.

Mr. COHEN. But the plans were to provide intelligence as well as weapons?

Mr. SECORD. That's one of the plans that they had in mind, yes.

Mr. COHEN. Were you aware that the intelligence, the photography had been either altered or shaped in such a way as to be rather innocuous?

Mr. SECORD. I was told that, but I don't know how they did it.

Mr. COHEN. Were you told in advance?

Mr. SECORD. I think it was mentioned to me in advance, yes.

Mr. COHEN. So they have rather minimal intelligence being presented to them, and I think you also suggested in response to Congressman Cheney that the weapons that they were receiving were very few in number and rather old and obsolete, right?

Mr. SECORD. They were old.

Mr. COHEN. Well, didn't you get some complaints, you and Oliver North get complaints from the Iranians that the TOWs——

Mr. SECORD. Yes.

Mr. COHEN [continuing]. Were misfiring——

Mr. SECORD. Yes, sir.

Mr. COHEN. And in fact they were firing, they were going out and coming back at the operators?

Mr. SECORD. I never heard that one, but I heard that some of them went ballistic and didn't steer correctly.

Mr. COHEN. But they did voice complaints to you about the quality of the weapons that they were receiving?

Mr. SECORD. I heard on several occasions complaints.

Mr. COHEN. Now, in January 17, 1986, you were present for the finding, the drafting of the finding. They were asking your advice or at least pointing out that you were going to be referred to as a third party in that finding. And you were certainly aware of the GO strategic significance of Iran that you have testified to, and then when that meeting in Tehran failed, you also sought to develop an alternative channel into Iran because you believed it was, the initiative was too important to lose at that point? Correct?

Mr. SECORD. Yes.

Mr. COHEN. Do you recall a time at which the Iranians complained specifically about the quality of the weapons?

Mr. SECORD. It wasn't until after we got into the second channel. We never heard that one through Ghorbanifar as far as I know.

Mr. COHEN. You never heard that from Ghorbanifar?

Mr. SECORD. I don't recall hearing that from Ghorbanifar.

Mr. COHEN. Now, when you met with the second channel for the first time in Brussels, you were fairly impressed with them?

Mr. SECORD. I was fairly impressed but I wasn't convinced.

Mr. COHEN. How about in September and in the United States, were you persuaded then?

Mr. SECORD. I was more persuaded then, quite a bit more and I think my colleagues were as well.

Mr. COHEN. In Germany in October?

Mr. SECORD. They were doing a creditable job.

Mr. COHEN. And you believe that this second channel had great potential in terms of building this "GO strategic relationship", didn't you?

Mr. SECORD. I thought I had considerable potential, yes.

Mr. COHEN. As a matter of fact, you gave them a better deal on the price of the weapons than you gave to Mr. Ghorbanifar?

Mr. SECORD. Well, that's right.

Mr. COHEN. And the effort was to shore him up as far as his power——

Mr. SECORD. To shore him up, yes——

Mr. COHEN [continuing]. Make him look good to the "moderates". I think you called them pragmatists, not moderates.

Mr. SECORD. That may have been a mistake, also.

Mr. COHEN. But the effort was to shore him up and make him look relatively good to his compatriots——

Mr. SECORD. That's right.

Mr. COHEN [continuing]. In terms of building his power base; correct?

Mr. SECORD. Correct.

Mr. COHEN. Do you recall that in October of 1986 the TOWs that were shipped to Israel were intended for Iran were switched?

Mr. SECORD. Yes, sir, I testified to that.

Mr. COHEN. And do you recall the reason that the TOWs were switched because the Israelis felt that the TOWs they had received back in May were too old?

Mr. SECORD. They said that they were of older date of manufacture than the ones they shipped and they wanted like or better.

Mr. COHEN. So here we have some superior TOWs going intended for Iran reaching Israel, a switch being made and the old ones being replaced and sent on to Iran?

Mr. SECORD. That is right.

Mr. COHEN. Do you think that was consistent with trying to build the moderate power base for the Iranians if you are sending them old weapons after a time they've complained before about the quality of the weapons?

Mr. SECORD. It may not have been, but that was the decision that was taken by the Government.

Mr. COHEN. Well, did the Government make the decision, our Government make the decision to allow the Israelis to make the switch?

Mr. SECORD. Oh, yes.

Mr. COHEN. Did you participate in that decision?

Mr. SECORD. Not at all.

Mr. COHEN. Didn't you voice an objection that this might undermine the very basis for the January 17 finding to build——

Mr. SECORD. No, because——

Mr. COHEN [continuing]. A moderate base?

Mr. SECORD. No, because I was informed that the Army had a technical order which extended the shelf life and that they were perfectly serviceable.

Mr. COHEN. But the Israelis didn't think they were perfectly serviceable.

Mr. SECORD. The Israelis may be a little sharper than——

Mr. COHEN. Well, they may be a little sharper precisely, maybe a little bit sharper, but didn't you suspect this might undermine the very basis of the January 17 finding——

Mr. SECORD. No, I didn't.

Mr. COHEN [continuing]. And that's to build a better relationship?

Mr. SECORD. No, no, Senator, I didn't. I didn't think of that, I'm sorry. I didn't think of it.

Mr. COHEN. On the one hand we are charging them about a 600 percent increase in the cost of the goods and then we are shipping them old weapons and that wouldn't jeopardize that new figure that's emerging as a moderate element?

Mr. SECORD. I did not think so.

Mr. COHEN. Mr. Schwimmer, what was his role within the Israeli Government to your knowledge?

Mr. SECORD. Mr. Schwimmer was—within the Government?

Mr. COHEN. Relationship to the Government.

Mr. SECORD. I think that he was a friend, a long-time friend of the prime minister, but I don't believe he had a formal position.

Mr. COHEN. Would he be classified as an adviser to the prime minister or foreign minister.

Mr. SECORD. I can't answer that. I don't know.

Mr. COHEN. Arms dealer?

Mr. SECORD. Yes.

Mr. COHEN. Now, according to the testimony the first day you owed him, roughly, your company, enterprise, owed him roughly $800,000 because of a shipment—he paid in advance for several shipments, only one went through.

Mr. SECORD. Yes.

Mr. COHEN. Therefore, $800,000 remained in your account.

Mr. SECORD. Yes.

Mr. COHEN. And Oliver North told you to keep it?

Mr. SECORD. Yes.

Mr. COHEN. Did you assume that Ollie North had the authority to tell you that Mr. Schwimmer's money could be kept by you?

Mr. SECORD. I did, but I talked to Mr. Nir about it after I met Mr. Nir a month later.

Mr. COHEN. And?

Mr. SECORD. He confirmed it. North was correct.

Mr. COHEN. It was all right to keep the money.

Mr. SECORD. Yes.

Mr. COHEN. And then you used that money to go to the Contras?

Mr. SECORD. That is the way—yes, at that time, yes.

Mr. COHEN. So far as you are concerned, the event that you comply with Senator Rudman's request to turn the money over to the U.S. Treasury, there will be no claim from Israel for the $800,000?

Mr. SECORD. No, there will be no claim.

Mr. COHEN. Could I come back to the point that Senator Sarbanes raised before? You feel very strongly about the Contras.

Mr. SECORD. Yes, sir.

Mr. COHEN. And you committed certainly your resources and time in an effort to help them wage a successful effort to force the Sandinistas to the bargaining table.

Mr. SECORD. Yes, sir.

Mr. COHEN. And you are concerned that we have abandoned the people over the years rather brutally.

Mr. SECORD. I have seen it personally. Yes, sir.

Mr. COHEN. And in this case, as a matter of fact, men have been left out in the mountains and the fields without adequate medical attention?

Mr. SECORD. Yes.

Mr. COHEN. And dying from infections as well as war wounds?

Mr. SECORD. Yes, sir, and we were dropping medicines to them, too.

Mr. COHEN. And Senator Sarbanes asked you why in that case that you were charging—taking a profit from the mark-up on the sale of weapons to the Contras.

Mr. SECORD. When we were in that phase of the operation we were simply dealing as arms brokers and we were taking what we regarded to be an extremely modest profit in the arms dealer business.

Mr. COHEN. But you really didn't have much invested at that point. You didn't really have to work to accumulate the capital. That was all provided.

The contributions were in the account at that point. All you had to do was furnish some weapons. It really wasn't a great effort.

Mr. SECORD. That is not easy. It is a considerable effort to find the right types of weapons and to get them together, to negotiate the prices down, to ship them, it is a considerable effort.

Mr. COHEN. In any event, you were entitled to a profit in that case.

Mr. SECORD. Yes, sir.

Mr. COHEN. And you took a profit?

Mr. SECORD. Yes, sir.

Mr. COHEN. I guess what I am troubled about is why would you not apply the same rationale to the Iranians? I think it is rather clear that the Iranian Government had a role, direct or indirect, in the bombing of the Marine barracks where we lost some 240 or 241 Marines. Yet you decided not to take a profit from that mark-up. Why is that?

Mr. SECORD. We decided not to take a profit from that operation because I viewed it as an operation in direct support of the Presidential finding and I didn't want to be accused later of profiteering. It is that simple.

Mr. COHEN. What is the difference between taking a profit from the Contras who the President is waging a moral crusade to have the country rally behind him, take a profit out of that operation, but not take a profit out of the Iranian proceeds.

Mr. SECORD. I made a differentiation in my mind.

Mr. COHEN. But why?

Mr. SECORD. Because I thought it was correct. I thought it was the correct thing to do. That is what I did.

Mr. COHEN. You thought it was more correct to let the Iranians go without you taking a share of the profits than it was for the Contras?

Mr. SECORD. I thought my decision was correct, Senator.

Mr. COHEN. When did you decide that you were not going to go back into the government?

Mr. SECORD. On November 25, 1986.

Mr. COHEN. That was the first time you decided?

Mr. SECORD. That is right.

Mr. COHEN. Let me go back through and see if I can understand this. I think you said in the summer of 1985, you decided at that point that you were considering a career, of re-entering the Government.

Mr. SECORD. In that timeframe, yes.

Mr. COHEN. That you were looking at the possibility as one Deputy Director of Operations for Central Intelligence?

Mr. SECORD. That was one that I thought I could make a contribution in.

Mr. COHEN. And you felt that the stigma of being referred to or considered to be an arms dealer would jeopardize that appointment?

Mr. SECORD. Yes, sir.

Mr. COHEN. And as a result you forswore any share of the profits you were entitled to in your company at that time?

Mr. SECORD. That is right. I think the records will show that and I have so testified.

Mr. COHEN. I agree with that. And you forswore these profits even though according to your own testimony it was worth several hundred thousands of dollars?

Mr. SECORD. Yes.

Mr. COHEN. This was not a step you took very lightly.

Mr. SECORD. No, sir. I talked about it quite a bit.

Mr. COHEN. Then your return to service in the U.S. Government must have meant a great deal to you at that time?

Mr. SECORD. It did.

Mr. COHEN. And, in fact, I think you indicated that another tour of government service had the prospect of repairing some of the stitches that you felt from that wound that was inflicted by the association with Mr. Wilson?

Mr. SECORD. Yes, sir.

Mr. COHEN. I guess the question I have is, having made all these sacrifices in the summer of 1985, why in the period of 1986 did you enter into the agreement with Albert Hakim to become—enter in Triad-America Arms, a company which is going to manufacture machine guns?

Mr. SECORD. I didn't know when I would be going back into the government or even if——

Mr. COHEN. But why would you take a risk at that point having——

Mr. SECORD. That was not a risk. This is a United States business, a normal United States business, a joint venture.

Mr. COHEN. Excuse me one moment. My understanding is that you were concerned about the stigma of being an arms dealer, that that might jeopardize your appointment or reappointment in the Government, correct?

Mr. SECORD. I didn't see any stigma attached to being a joint venture partner in an arms manufacturing operation in the United States.

Mr. COHEN. In other words, assistance to the President of the United States as an arms dealer might be held against you by the administration or Congress with respect, with reference to the Contras and Iran. Was that your judgment?

Mr. SECORD. Yes. I remembered a well known figure in our Government telling me that he had brokered a defense material deal with a foreign country when he was out of the government and when he came back to the Government, it haunted him.

Mr. COHEN. But he even at the request of the President of the United States states you felt that Congress would hold that against you or the President might not appoint you after you have helped him to carry out these two programs?

Mr. SECORD. I was more concerned about the image within the CIA. If you are contentious in the CIA you are not very useful.

Mr. COHEN. So the perception that you were helping the President would not have assisted you in any way whatsoever with the CIA?

Mr. SECORD. Of course it would, but there is also a problem of economics you have to consider.

Mr. COHEN. In any event, in June of 1986, you didn't have a problem with entering into a joint venture to manufacture machine guns which I assume were for distribution in the international arms market?

Mr. SECORD. They were for distribution in the American market and any foreign legitimate dealers that the government would issue export licenses for. Normal procedure.

Mr. COHEN. But that doesn't concern you about being involved in the transfer of articles in the international market because it is a United States company?

Mr. SECORD. No.

Mr. COHEN. Who is Mr. Bob Lilac?

Mr. SECORD. He is a retired U.S. Air Force colonel.

Mr. COHEN. How do you know him?

Mr. SECORD. He worked for me in the Pentagon for several years.

Mr. COHEN. Did he also work with Oliver North?

Mr. SECORD. He worked with North when he was on the NSC staff.

Mr. **Cohen**. And I think you indicated earlier that you were asked to meet with Colonel North and to urge him to reconsider his appointment or direction to go to the Naval War College?

Mr. **Secord**. Yes sir.

Mr. **Cohen**. Why would they call upon a retired Air Force general to come and speak with a man who you had limited contact with and urge him to go to the Naval War College?

Mr. **Secord**. Bob Lilac was concerned he was making the wrong decision.

Mr. **Cohen**. Why call on you?

Mr. **Secord**. Because he knew that North knew me, had observed me before, thought I had been very successful, and thought he would take my counsel. I am an older man, more experienced, higher ranking. I am sure he got counseling from other people too.

Mr. **Cohen**. Were you in Government at that time?

Mr. **Secord**. No.

Mr. **Cohen**. You were retired by that time?

Mr. **Secord**. That is right.

Mr. **Cohen**. So he would take the advice of a retired general to go to the Naval War College?

Mr. **Secord**. Of course. Why not?

Mr. **Cohen**. Now, is Mr. Hakim—at that meeting, you were unsuccessful in persuading Oliver North to take the appointment. What else did you discuss at the meeting?

Mr. **Secord**. He talked to us briefly about the Contras and he—I only remember one incident. He talked about a Miami doctor, who was taking a weekend down in Central America to do medical work as a example of the way people were pitching in.

Mr. **Cohen**. But that was the first time you remember an association with Colonel North since the time you were on the Hill with the AWACS?

Mr. **Secord**. That is the only time I remember. I think that I may have talked to him on the telephone or even in person earlier on about a proposition that Mr. Gadd was dealing with and I was advising Gadd, and it had to do with an aircraft program which never came to fruition.

Mr. **Cohen**. Did you ever have an association with Mr. Lilac in a business sense?

Mr. **Secord**. Yes, hiring him as a consultant to help us market shelters in the Middle East.

Mr. **Cohen**. When did that contactor, when did that take place, that business relationship?

Mr. **Secord**. I would have to look at the contract. I haven't looked at it in a long time.

Mr. **Cohen**. Was he ever involved in an effort to sell some physical equipment to the Contras?

Mr. **Secord**. No, never.

Mr. **Cohen**. He had no association with the Contras whatsoever?

Mr. **Secord**. No. He didn't know about this either.

Mr. **Cohen**. Now, in the Hawk spare parts, did you have any role in setting to the overall ceiling of $15 million for the Hawk spare parts?

Mr. **Secord**. I had a role. This pricing was—this pricing exercise that I was going through extended over quite a period of time and finally I just stated that I thought we would round it off to $15 million and it will be sufficient. The prices were rising all the time. I have testified to all this.

Mr. COHEN. Did you have any direct communication with the chief of Iran desk and the chief of the Near East Division of the Director of Operations on the subject of setting the prices?

Mr. SECORD. I don't recall the chief of the Iran desk, but I had communications with those other officials.

Mr. COHEN. At any time did you either directly or indirectly advise these individuals or anyone else about the pricing of the Hawk spares that they shouldn't exceed a certain amount?

Mr. SECORD. No. In fact, they were exceeding—they were changing prices all the time.

Mr. COHEN. But they should never go above $15 million?

Do you recall ever telling anyone that?

Mr. SECORD. I don't believe I said that, but they knew that we were asking $15 million.

Mr. COHEN. If I could turn to another subject quickly, Mr. Chairman.

There have been reports in the press about a Swiss bank account that linked your name to it, Credit Suisse or Credit Swiss, correct?

Mr. SECORD. Yes.

Mr. COHEN. And that the same press reports have linked the act with a so-called Yellow Fruit Unit? Do you know what the Yellow Fruit operation was, what it consisted of?

Mr. SECORD. I didn't know until I was advised that it had to do with some United States Army special operations program.

Mr. COHEN. You had no knowledge prior to that time?

Mr. SECORD. No.

Mr. COHEN. What was your role following the Desert I rescue mission, weren't you a significant individual in terms of putting together a special forces unit within the Defense Department? Wasn't that one of your duties?

Mr. SECORD. No, my role ceased in December—when the task force was entered in December 1980.

Mr. COHEN. So, you had no role following that time?

Mr. SECORD. No role, and I did not know of this program.

Mr. COHEN. How much on SOPAG, as a member of SOPAG, were you ever advised of this unit?

Mr. SECORD. No, sir.

Mr. COHEN. To your knowledge, not even the special advisory board as such had notice of this particular unit?

Mr. SECORD. It was never discussed in any of the meetings that I have attended of SOPAG. I knew we created a similar unit that I have learned about for the use in our joint task force, and that was the basis from which they went forward, but I never had any contact with it after that.

Mr. COHEN. Could you explain if this is the case, how your name would appear on that Swiss bank account?

Mr. SECORD. I think it was forged.

Mr. COHEN. You think your name was forged to that account?

Mr. SECORD. No, I don't think it is on the account. There has been no evidence of that. That was a press report.

Mr. COHEN. What was forged?

Mr. SECORD. Any document that any reporter saw purporting to be a document involving me somehow with this Yellow Fruit operation, I believe was forged.

Mr. COHEN. And the same with Oliver North? If his name were to appear on that, his would be forged as well?

Mr. SECORD. It is virtually impossible to conceive of a situation where a U.S. Department of the Army account would involve signatory authority from an Air Force officer or a Marine officer.

Mr. COHEN. Why is that?

Mr. SECORD. Because they never do this. The officers that disburse funds and have this disbursal authority within the various Departments are always officers of that service. I have never seen it crossed over.

Mr. COHEN. But Yellow Fruit was a multiservice operation.

Mr. SECORD. If it was, I was not aware of it. I read the press on it, and I thought it was Army only. In any case, the press account I saw said it was an Army account, Army monies.

Mr. COHEN. Did you ever have any association at any time with any Swiss account other than ones you have described?

Mr. SECORD. No, sir.

Mr. COHEN. In your testimony as being established with Albert Hakim?

Mr. SECORD. Never ever.

Mr. COHEN. Do you have any knowledge of any core Contra support activity involving Oliver North other than the one you were involved with?

Mr. SECORD. Fund-raising.

Mr. COHEN. Fund-raising activities?

Mr. SECORD. Yes. He made no secret of the fact that he was making speeches to various groups and urging the raising of money.

Mr. COHEN. Have you ever heard of Business Security International?

Mr. SECORD. Business Security International? Not as far as I can tell, no.

Mr. COHEN. You have never heard of that company or organization?

Mr. SECORD. No.

Mr. COHEN. Do you know a Joel M. Patterson?

Mr. SECORD. No.

Mr. COHEN. A Colonel Dale E. Duncan?

Mr. SECORD. No.

Mr. COHEN. A Colonel James Longhoffer?

Mr. SECORD. Colonel Longhoffer, I knew when he was a Lieutenant Colonel, and he was a staff officer in our task force in 1980.

Mr. COHEN. That was the last contract you had with him?

Mr. SECORD. Yes.

Mr. COHEN. One final point, Mr. Chairman, and I will be through.

You received end user certificates for the British blowpipe from a South American General to facilitate aid to the Contras, is that correct?

Mr. SECORD. Yes, sir.

Mr. COHEN. Would you tell us a bit about the blowpipe?

Mr. SECORD. Yes, sir. It is a man-portable surface-to-air missile manufactured by the British and it is thought to be superior to the SA-7s, which the contras had.

Mr. COHEN. It would be a bad weapon to fall in the hands of the terrorists?

Mr. SECORD. Yes, I think it would be very bad to fall in the hands of terrorists.

Mr. COHEN. Did you have difficulty in acquiring end user certificates for the blowpipe?

Mr. SECORD. Not only did we have difficulty in acquiring them, but we had difficulties in acquiring the weapon, and did not.

Mr. COHEN. What about the end user certificates?

Mr. SECORD. We got the end user certificates from the General in El Salvador.

Mr. COHEN. So, you still have those?

Mr. SECORD. There are copies around somewhere. I don't have it.

Mr. COHEN. You don't know where they are?

Mr. SECORD. No.

Mr. COHEN. Aren't they valuable? Can't they be sold, given to people who are not authorized to have them?

Mr. SECORD. Yes, that is possible. I hadn't thought of that. In any case, we were not successful in getting the blowpipe missiles, and the holder of the blowpipe missile that we had in mind required United Kingdom authority, so there was another check there.

Mr. COHEN. But you have no knowledge where they are right now?

Mr. SECORD. I can't remember how many copies were made. Very few.

Mr. COHEN. Would you undertake a diligent effort to, General Secord, to search through your records to find those end user certificates and return them?

Mr. SECORD. I will look everywhere—I have already described everything I have got, but I have already assured the committee that I would undertake to find some more of these documents that we had filed overseas, and I have done that, and I am continuing to try to do that.

Mr. COHEN. But if you do come up with the documents, are you agreeing to turn those over?

Mr. SECORD. Yes, sir, absolutely.

Mr. COHEN. That is all I have, Mr. Chairman.

Mr. SECORD. May I add, Mr. Cohen, I am diligently trying to find additional records right now for the committee, and I will do it.

Mr. COHEN. Thank you.

Chairman INOUYE. The Chair recognizes the gentleman from Illinois, Mr. Hyde.

Mr. HYDE. Thank you, Mr. Chairman.

General Secord, you are old enough to remember the 1950s, the early 1950s, when Edward R. Murrow taught us that guilt by association was one of the most obscene things that any politician could engage in. I guess you have noticed how times change and it is now kind of trendy to use guilt by association, at least it seems to me it is much more in fashion now than it was back in the 1950s.

And, General, you have been charged with running your own foreign policy. As I have listened and studied this scenario, it seems to me you were implementing somebody else's policy that perhaps the National Security Council had developed, and while we can criticize the process that developed that policy and the policy itself, I don't think we can criticize it from any position of strength, considering our own bewildering reversals of field regarding the democratic resistance in Nicaragua.

For example, as I have studied the checkered career of assistance to the democratic resistance in Nicaragua, in 1982 Congress authorized and appropriated $24 million. In 1983 we increased that to $27 million, but we restricted it to humanitarian assistance only, no military aid.

In 1984, zero, no humanitarian, no military. In 1985, zero for military. But then when we got to September of 1985 to March 1986, we authorized and appropriated $27 million for humanitarian only, and a limited amount of information sharing.

Then in 1986 or fiscal 1987, $100 million for humanitarian and military, but of course that got delayed by the Speaker of the House until the last waning moments of the session. Now, 1987, this year I think the smart money is on another big fat zero.

So when I try to characterize our policy, Congress, the official partner with the President in foreign policy, our policy toward Central America, life and death situations, I grasp for words—vacillating, oscillating, wavering, hesitant, inconsistent, faltering. And so it seems to me as we stand on Mount Olympus wagging our fingers at extra-legal foreign policies, we don't do so from a position of strength.

Now, as to the impropriety that one of my colleagues underscored—and rightly so—of getting third countries to contribute money to support the Contras—it is a shame. It is a process to be avoided at all costs. But it just seems to me that in the real world, the alternative is the destruction of the democratic resistance in Nicaragua. Once they dissolve, you are not going to ever reconstitute them. And when that happens you have the threat of the spread of the revolution without frontiers throughout the isthmus. In these circumstances, it seems to me you do what you have to do, any port in a storm. If your ship is sinking, you swim toward land, even if it is South Africa.

I am trying to listen to the inquisition that has been directed at you and I am trying to find a place to put it, to label it. I think you are being charged with the high crime of ambiguity of intention. Were you going to make a profit? Weren't you?

We have got to get to the bottom of this, but you must understand that profit-making is not a hallowed concept universally in this town.

Now, I am troubled, however, by the theory under which you have agreed to, with Senator Rudman, return the residue, as we euphemistically call these proceeds in the Swiss accounts.

Now, if your theory is that the money was yours, having paid the CIA for these weapons in full and up front because they would not give you the weapons unless they got every nickel they wanted or billed for and, having purchased them, you have dominion over them. You set the prices and you passed them on to Ghorbanifar or to Iran and the proceeds of that were therefore your money over which you had dominion. The enterprise was yours to do with as you wish. Therefore, when you gave Calero $3½ million that wasn't a diversion of somebody else's funds, it was an allocation by the enterprise of funds over which it had dominion and control. I think that is your theory.

However, if you adopt Senator Rudman's theory that somehow you owe the residue to the U.S. Government and you better agree to turn it over, it seems to me that that isn't an act of grace on your part but an obligation. You have got U.S. Treasury funds. You are standing on two stools that are rapidly slipping apart and a horrible hernia, at least, will be the result of that.

So I just—I am not trying to instruct counsel, because you have an excellent lawyer—by the way, what is his name?

Mr. SECORD. Tom Green.

Mr. HYDE. Tom Green. I thought I would give him a good commercial. An excellent lawyer.

But I would choose "allocation of funds" rather than "diversion."

In any event, would you say, General, that a major reason for the weakness in the United States capability to conduct covert operations is the fact that keeping secrecy when Congress is notified is virtually impossible?

Before you answer that, let me concede that the executive leaks, the CIA leaks, the Defense Department leaks. It is a high art form in Washington to leak, but you people when you are in Government, when you are at the White House, when you are at the CIA and you are obliged to come up to the Hill and disclose covert activities, I think you have a problem.

Bill Colby, former CIA director, in his book, memoirs, said that every covert operation reported to Congress in the year 1975 leaked instantaneously and scuttled the endeavor.

I carry with me—not in my pocket, but readily accessible at all times—an Op Ed piece by Daniel Shore in the Washington Post, November 14, 1985. You remember Daniel Shore. He was the fellow that got ahold of the secret classified transcript of the Pike committee and revealed it.

In any event, Daniel Shore wrote that in 1975, the CIA support of the anti-Communist faction in Angola, also a Kissinger project, was disclosed after it became an issue in the House Foreign Affairs Committee.

Mr. HYDE. The late Representative, Leo Ryan, and a member of that committee told me in an interview at the time that he could condone such a leak if it was the only way to block an ill-conceived operation. So you have Leo Ryan, of blessed memory, who was killed in the Jonestown disaster, but of a mindset that says if I don't like a policy and I am a Congressman, then I can leak it to frustrate that policy.

Now, this notion is widespread. You really have a problem, don't you, disclosing covert operations to a place where you know it is going to be disclosed. Is that correct?

Mr. SECORD. Without question. I wish I could have said it as eloquently.

Mr. HYDE. Another fascinating excursion that we have gone through is the legal minefield that the distinguished Senators are putting you through. You have sat there for three days with 27 grand, high inquisitors, or at least prosecutors, trying to assail your position legal, military, philosophical, economical.

Let me just quote from the Tower Report and see if you have any comment about the legal minefield that you are in the middle of.

> The President's emphatic support for the Contras provoked an often bitter debate with the Congress. The result was an intense political struggle between the President and the Congress over how to define U.S. policy toward Nicaragua. Congress sought to restrict the President's ability to implement his policy and—

And here is the important line—

> What emerged was a highly ambiguous legal environment.

Continuing with the Tower Report,

> The 1984 prohibition was subject to conflicting interpretation on the question of whether the NSC was covered by the Boland Amendment. Confusion only increased. In December, 1985, Congress approved classified amounts of funds to the Contras for communications and advice. The authorization was subject, however, to a classified annex negotiated by the Senate and House Intelligence Committees. An exchange of letters initiated the day the law passed evidences the extreme difficulty even the chairmen of the two committees had in deciding what the annex permitted or proscribed.

Now that is the legal environment in which you are working, is that not so?

Mr. SECORD. Yes, sir.

Mr. HYDE. By the way, you have to pay every dime the CIA wanted for these weapons before you took control of them, is that correct?

Mr. SECORD. Including a $240,000 overrun.

Mr. HYDE. And pay it up front?

Mr. SECORD. That is correct.

Mr. HYDE. Before you got those.

Mr. SECORD. Yes.

Mr. HYDE. General, you testified earlier that you don't think the Contras can win a military victory in Nicaragua, but you also said if they stay in the field, it might bring the Sandinistas to the table.

I would like to read to you a paragraph from an article by a gentleman called Bruce McCohn, M-c-C-o-h-n, in the November-December issue of "Freedom" magazine. It is another piece of paper I carry with me.

> At the heart of the upcoming debate lies the victory issue. Can the Nicaraguan Democratic Resistance win? But the way the question is posed usually obscures the proper response. Victory in a low-intensity war does not signify that the adversary has been militarily defeated. It is confirmation that he is exhausted and bled dry, that he is psychologically defeated. The aim of guerrilla war is to slowly, through single small actions, culminate in larger operations, erode the domestic and international perception of a government's legitimacy. Victory comes unnoticed through the back door in an unexpected moment when a regime collapses like a punctured balloon.

Would you agree with that?

Mr. SECORD. Totally.

Mr. HYDE. General, you know, I just want to say this, I don't know what the truth is. This is a very murky inquiry that we are going into. But I just have a visceral feeling that you and Ollie North are the kind of guys that the country turns to when it is in real trouble and it has a dirty job to do and it needs some brains and some bravery. They find people like you if they are lucky enough to find you and get you to do the job, and when it is all over, then you can twist in the wind or you can fend for yourself. Good luck.

I only say to you, you are not alone in that unhappy experience. The British turned Winston Churchill out after World War II in favor of Clement Atlee. I don't know if that clears you up, but it is worth thinking about. Thank you.

Mr. **Secord**. Thank you very much, Mr. Hyde. I would like to just say that I recognize fully your trouble with the two theories about the money. But I have to tell you that the decision that I reached on this is simply because I am sick and tired of being badgered about this and beat over the head about it, and I don't care about the money.

Chairman **Inouye**. Thank you very much.

I am pleased to recognize the gentleman from Alabama, Senator Heflin.

Mr. **Heflin**. General, the questioning has pretty well covered the waterfront here and I will try to be brief.

The first two days that you testified, you came across as an excellent witness, as well as an educated, articulate, forthright individual who exhibited an excellent memory and who painted a picture of a real desire to serve his country and who recognized the threat of the spread of Marxism in Central America, and that the Contras should be fully supported.

Then yesterday doubts about your truthfulness and honesty were generated, and many of us are in a quandry or state of uncertainty as to whether to believe your story and what are the true facts.

Under one interpretation of the evidence, you are a real patriot for your cause. Under a different interpretation of the same evidence, one can conclude that you were interested primarily in making money for personal gain in a corrupt manner. There may be other interpretations. I have an open mind and will continue to reserve judgment until all of the witnesses have testified and the evidence is in.

The most troublesome testimony to me was why was this surplus of $6 to $10 million not spent to help the Contras, when you state that the Contras so desperately needed help, and Colonel North was urging you to help them more.

Also I have considerable uncertainty in my mind as to whether you did or did not mislead Colonel North into believing that $12 million from the arms sale had been spent on the Contras, when only around $3 million had.

In fairness to you, I would like for you to address these issues and to give you ample time to address them and particularly the question of why a surplus instead of Contra assistance.

Mr. **Secord**. Sir, I have tried my best to testify as to the requirement for the surplus for operating revenues in those accounts. We had to go forward in an ad hoc basis. We were walking into darkness all the time. We didn't know what was going to happen next.

I had to have monies, I couldn't go back for more money. I had to err on the conservative side, if you will, if there were to be errors. There were overruns, unexpected contingencies. We were dealing with the second channel. I had the question of whether to buy an airplane or not. All these things were floating around.

With respect to the $12 million you referred to, I believe that number appears in the famous memo which was supposedly written in the spring of 1986. I don't know where Ollie North got that number from. It is a completely alien number and he knew it was. It was far, far more money than any of us ever anticipated generating at that time or at any other time in the operation.

So I think you are just going to have to ask Colonel North. I think he will testify to it honestly, but I believe that the story as I have spun it out here, sir, will be corroborated by the people that follow me.

Mr. **Heflin**. I gather in regard to keeping a surplus and transferring it to another account, as you have recited, was primarily in dealing with the Iranian issue, to build better relations with the moderate element and also for use in releasing hostages and to have this for the future.

Now, reviewing your activity, and when you came into the Iranian arms sale procedure, as I gather from your testimony, there had been two arms sales that you were not involved in. The first arms sale that you were involved in was in November of 1985, the next in February of 1986, and the next in May of 1986—three arms sales.

However, during this period of time no hostage was released. Actually I think the hostage that was released following that was on July 29th, 1986, hostage Jenco.

Now, why take away from Contra aid and build a reserve or a surplus when arms sales to release hostages were proving unsuccessful and when the Contras needed funds so desperately?

Mr. **Secord**. Sir, in the period after the May delivery, which is when the bulk of the surplus was generated, we were liable to have to return $12 to $13 million of $15 million, minus the transportation costs. This is a great deal of money. That is about the amount of money—I don't even think we had that much money in the accounts at that time.

It would be interesting to look at the records and see exactly how much was in there. I think we had already sent considerable funds to the Contras and could not even pay that back.

Mr. **Heflin**. I have no further questions.

Chairman **Hamilton**. I am pleased to recognize the distinguished Majority Leader, Mr. Foley.

Mr. **Foley**. Mr. Secord, when you met with firms prior to sale of arms from Iran, you indicated at that time you were not an agent for the CIA or for the U.S. Government or agent thereof?

Mr. **Secord**. That was my belief.

Mr. **Foley**. That you were a commercial cutout and had, as Senator McClure indicated, an arms-length relationship with the agency?

Mr. **Secord**. That is correct.

Mr. **Foley**. You could have sold those arms to any country in the world and been within your legal rights?

Mr. **Secord**. In theory.

Mr. **Foley**. But as a practical matter, you were not designated as a commercial cutout except under the understanding that you could carry out the wishes of the CIA in making the sales to Iran?

Mr. **Secord**. There was no such explicit discussion with those lawyers, but it was clear that is where they were to go, and they trusted me.

Mr. **Foley**. So you had a moral obligation to follow the direction of the CIA in that regard?

Mr. **Secord**. No question.

Mr. **Foley**. And you undertook that responsibility without any thought of varying in any way from their wishes in that respect?

Mr. **Secord**. You are correct.

Mr. **Foley**. But you still did not consider yourself an agent?

Mr. **Secord**. No.

Mr. **Foley**. What is the distinction?

Mr. **Secord**. I don't see how I am an agent of the Government, Mr. Foley. I wasn't paid a nickel by the Government. I had no contract, there are no terms of references, no instructions, no nothing. I was in a room full of lawyers at one time. They didn't try to make me an agent.

Mr. **Foley**. But you were an instrument of the policy or you saw yourself as an agent?

Mr. **Secord**. Indeed.

Mr. **Foley**. You made a decision apparently with Mr. Hakim not to share personally in the benefits of any of these sales?

Mr. **Secord**. That is right.

Mr. **Foley**. When was that decision made again, in mid-1985?

Mr. **Secord**. Probably August.

Mr. **Foley**. August, 1985. And instead to turn those proceeds to the use of the so-called enterprise which would help the Contras in Nicaragua?

Mr. **Secord**. And I believe that has been done.

Mr. **Foley**. Were the accounts which were organized around Lake Resources derived from the sale of arms to the Contras, the sale of arms to Iran and contributions to the Contra cause, as you testified?

Mr. **Secord**. I am not sure I understand the question.

Mr. **Foley**. Was Lake Resources receiving all of its funds——

Mr. **Secord**. Yes, the answer is yes.

Mr. **Foley** [continuing]. From the sale of arms to Calero, the sale of arms to Iran, and contributions to the Contra cause?

Mr. **Secord**. That is correct.

Mr. **Foley**. Are you aware of an account by the name of Albon Values?

Mr. **Secord**. I have seen that in the records, yes.

Mr. **Foley**. Did you, as with other accounts that you have testified about, have direction over this account in the Credit Suisse?

Mr. **Secord**. Yes.

Mr. **Foley**. And did you authorize transfers from that account in May and June of 1986 to a commercial bank in Sterling, Colorado, for the benefit of Tri-State Arms?

Mr. **Secord**. No. That came from Mr. Hakim's personal funds.

Mr. **Foley**. There were no transfers from the account as far as you know?

Mr. **Secord**. No, there were transfers.

Mr. **Foley**. Did you authorize the transfers?

Mr. **Secord**. No, Mr. Hakim did this.

Mr. FOLEY. He authorized the transfers?

Mr. SECORD. Yes.

Mr. FOLEY. What was Tri-Arms, Incorporated—Tri-State Arms?

Mr. SECORD. As I have testified earlier, this was a company which was never created, but it was a—there was a negotiation among the several parties to from a joint venture to manufacture weapons in a U.S. location.

Mr. FOLEY. And that was—and you were a party to that company?

Mr. SECORD. I was a party to that, but it did not materialize.

Mr. FOLEY. But it was the intention of the company or the partnership to develop an investment in American Arms, Incorporated for the purpose of manufacturing submachine gun or submachine gun receivers——

Mr. SECORD. Yes, sir.

Mr. FOLEY [continuing]. For sale in the United States?

Mr. SECORD. And abroad if legitimate customers could be found.

Mr. FOLEY. Even in the United States, the sale of such weapons requires special licensing, does it not?

Mr. SECORD. It does, and the semiautomatic version only under law can be sold.

Mr. FOLEY. What happened to Arms America?

Mr. SECORD. They were in near bankruptcy when we heard of them, and we negotiated with them to see if we could save them from bankruptcy, but I believe they have gone down.

Mr. FOLEY. Was there a loan to be made of $60,000?

Mr. SECORD. Yes.

Mr. FOLEY. Was that actually made?

Mr. SECORD. It was.

Mr. FOLEY. And it came from Hakim?

Mr. SECORD. Yes.

Mr. FOLEY. Through Albon Values?

Mr. SECORD. I haven't checked the particular transaction, but if that is what the records show, yes.

Mr. FOLEY. You don't know where Albon Values received its funds?

Mr. SECORD. I don't know how he allocated money into Albon Values.

Mr. FOLEY. Could it have come from Lake Resources?

Mr. SECORD. Yes.

Mr. FOLEY. I understood that all the money in Lake Resources had come from sales of weapons to Iran, sale of weapons to Calero and contribution to the Contra cause, and you and Mr. Hakim had agreed in August, or so, of 1985 to distribute all of those funds exclusively for the benefit of the Contra cause, and now we have in June and May of 1986 a transfer of those accounts to a commercial bank in Colorado for a private investment in an American Arms Manufacturing Company. Is that consistent?

Mr. SECORD. Yes, because I believe it came from Hakim's profit account.

Mr. FOLEY. From his profit account?

Mr. SECORD. That is what I believe.

Mr. Foley. You don't really know, though, because you don't know how the account was set up or how the money was actually disbursed?

Mr. Secord. No, but there is no reason for me to know how he handled his profit account.

Mr. Foley. I thought you said that you were in a position to direct the account.

Mr. Secord. I said I was in a position to direct all those moneys which are involved in the Contra and the Iranian program.

Mr. Foley. But we don't have any definition of which amounts in the account are directed for that purpose?

Mr. Secord. His sub-accounts that he organized underneath first Energy Resources and then Lake Resources were his management decisions.

Mr. Foley. Do you think Albon Values is such an account?

Mr. Secord. I believe so, but I'm not sure. We have to audit the account. An internal profit auditing exercise has to be undertaken, and the committee hasn't had a chance to do that yet as far as I know.

Mr. Foley. When you spoke earlier of our intention as to build up a fund of the enterprise in order to make it viable in carrying out the aid to the Contras, who were you referring to as "our"?

Mr. Secord. The enterprise.

Mr. Foley. You and Hakim?

Mr. Secord. Yes.

Mr. Foley. But Mr. Hakim was also using the accounts in his own name for use of his profits that had been placed in a fungible state in those accounts—is that——

Mr. Secord. I don't know.

Mr. Foley. Did you have an understanding at the time you invested in Arms America through—or American Arms Incorporated through Tri-State that you would have a share in Mr. Hakim's transfers? The money is coming from Hakim, you say, through Albon Values to invest in this company in which you are a partner?

Mr. Secord. I answered that question previously, but I will answer it again. Mr. Hakim's part of the deal was to invest the moneys that were required. There were first three others and later two other individuals, myself and one other, Mr. Royer, and another gentleman by the name of Marostica, who were to make other contributions.

Mr. Foley. And you were not to make a financial contribution to the enterprise?

Mr. Secord. No, I was to be in charge of the marketing if the venture came to fruition, which it did not.

Mr. Foley. Do you know of any document where Mr. Hakim's name is associated with Tri-State Arms?

Mr. Secord. I think there is a document somewhere in the company records.

Mr. Foley. You, in fact, signed a document dissolving the partnership, did you not?

Mr. Secord. I told you the venture collapsed.

Mr. Foley. But you signed an agreement to settle how the final disbursements would be made?

Mr. SECORD. I may have. I don't recall. I haven't seen the document you have there.

Mr. FOLEY. Thank you, Mr. Chairman.

Mr. SECORD. Thank you, sir.

Chairman INOUYE. The Chair recognizes the gentleman from Virginia, Mr. Trible.

Mr. TRIBLE. Thank you, Mr. Chairman.

General, let us at first try to nail down the facts and circumstances surrounding your meeting this week with Admiral Poindexter.

Mr. SECORD. Yes, sir.

Mr. TRIBLE. When precisely did you meet Admiral Poindexter, time and place and day?

Mr. SECORD. It was the day of—yesterday, after the hearing in my attorney's office.

Mr. TRIBLE. So, you met with Admiral Poindexter after your testimony here?

Mr. SECORD. Yes, sir.

Mr. TRIBLE. And that meeting also came after the time that Admiral Poindexter met with the counsel of the two committees?

Mr. SECORD. I have no idea.

Mr. TRIBLE. Counsel met, as I understand it, last weekend pursuant to the agreement struck between the committees and the special counsel. Tell us precisely what was said at that meeting, and why was it that you met?

Mr. SECORD. I don't know that I can tell you precisely what was said.

Mr. TRIBLE. As best you can recollect.

Mr. SECORD. I can tell you that his attorney called my attorney and said that John wanted to drop by if we didn't object to shake my hand. I was flattered.

Mr. TRIBLE. And he did drop by, and you shook hands, and that was the sum and substance of the meeting?

Mr. SECORD. There was no substance of the meeting except what I regarded as a very flattering gesture on his part. There were three attorneys there.

Mr. TRIBLE. I think it is important to you as well as for us to know precisely the terms of that meeting.

Mr. SECORD. Yes, sir.

Mr. TRIBLE. Now, let's turn to Zucker. Senator Cohen asked you a couple of questions about Mr. Zucker, and you had mentioned him in testimony yesterday, as I recall. Is it fair to say Mr. Zucker is a fiduciary, Swiss secret bank manager?

Mr. SECORD. Mr. Zucker is an American attorney. Mr. Zucker is a money manager and a fiduciary under Swiss law, and he has been established in Switzerland for many years.

Mr. TRIBLE. And your testimony is that you were introduced by Mr. Hakim?

Mr. SECORD. Right.

Mr. TRIBLE. Have you signed any fiduciary agreements with Mr. Zucker?

Mr. SECORD. As I testified earlier, I signed a fiduciary agreement some time in 1985 for him to manage whatever profits were generated. I later abandoned that.

Mr. Trible. In what fashion? Did you terminate that agreement?

Mr. Secord. I advised Zucker and Hakim that I was not taking any profits. They were both well aware of it.

Mr. Trible. But you still have a written agreement with Mr. Zucker to manage——

Mr. Secord. That is no longer operative, because I don't have an account.

Mr. Trible. Do you have a copy of that agreement that you might make available to us?

Mr. Secord. I don't think I have a copy, but I will try to get a copy for you.

Mr. Trible. How much money has Mr. Zucker managed for you over the years?

Mr. Secord. Only in that one instance, an amount of several hundred thousand dollars, maybe $400,000.

Mr. Trible. Have you received reports from Mr. Zucker through the years, or only with regard to that transaction?

Mr. Secord. No, I didn't receive any reports from him, because the account was washed out. I looked to him to manage it, and he did, but it was only for a period of months.

Mr. Trible. Did Zucker ever offer you advice on business investments?

Mr. Secord. Yes, and he acted as an attorney, also.

Mr. Trible. Let me ask you to turn your attention to Tri-America. Tri-American Arms, about which there have also been questions raised.

At a point, $150,000 was invested in this partnership, is that correct?

Mr. Secord. Correct.

Mr. Trible. Where did that money come from?

Mr. Secord. Mr. Hakim, as I have just testified.

Mr. Trible. Why would he invest in that enterprise?

Mr. Secord. Because he, based upon my recommendation, thought it was a pretty good business prospect.

Mr. Trible. Did Mr. Hakim have a beneficial ownership or beneficial interest in that partnership?

Mr. Secord. Yes, but the partnership was never consummated.

Mr. Trible. So Hakim invested $150,000 into an enterprise that never took——

Mr. Secord. In order to save it. This was part of the problem—in order to save the deal, money had to be put up in a fairly short period of time, because of bankruptcy problems, and because of upcoming changes in the law with respect to those types of weapons and they wanted to be able to manufacture some weapons under the old law, and time ran out, and it didn't materialize.

Mr. Trible. But $150,000 was invested in the partnership?

Mr. Secord. Yes.

Mr. Trible. And that money came from Hakim?

Mr. Secord. $60,000 of it was used only, and the balance minus legal fees were sent to STTGIOK.

Mr. Trible. Who were the partners in this enterprise?

Mr. Secord. The intended partners were Mr. Marostica, Mr. Royer, myself and Albert Hakim.

Mr. Trible. I have before me a document that has been handed to your counsel. It is marked exhibit 75. It is titled "Waiver and Termination of Partnership," and it bears what purports to be your signature.

Is that your signature?

Mr. Secord. Let me look at the document a minute.

Yes, it is.

Mr. Trible. This is an agreement executed between you and what parties?

Mr. Secord. Don Marostica, Larry Royer and me.

Mr. Trible. This indicates that you had discussed formation of this partnership, that you had taken certain actions, for example, you have enumerated $150,000 being invested pursuant to this document, you are terminating that partnership; is that correct?

Mr. Secord. Right.

Mr. Trible. Who are these fellows who are partners here?

Mr. Secord. Two businessmen in the West.

Mr. Trible. You have talked about the purpose of this partnership being to look into the possibility of the production of arms or investing in a company that did so?

Mr. Secord. Right.

Mr. Trible. Were there other purposes considered by this company, other investments considered?

Mr. Secord. We were talking about some other investments, yes.

Mr. Trible. Isn't it a fact that Mr. Zucker came to the U.S. or at least investigated at your request and that of your partner's possible investments for you to make.

Mr. Secord. Yes, he did. We were always looking for business opportunities.

Mr. Trible. Exactly. Let me direct your attention to exhibit 76, which is a memorandum from a Bill Zucker to Albert Hakim. Up in the corner it has file "W/", and then three initials which seem to be your initials. I don't know whose writing that might be.

Are you familiar with this confidential memorandum about those potential investments?

Mr. Secord. I don't know. Please let me look at it.

Mr. Trible. Take a look at that, if you will, because I would like to talk to you about it.

Mr. Secord. This is a lengthy document. I am going to have to read the whole document, Senator.

Mr. Trible. I will just refer you to pertinent parts of that document and you can take what time is required to form a response. First, before we go to 76, let me ask you to take one more look at exhibit 75, and tell me if you see anywhere on that document Albert Hakim's signature?

Mr. Secord. No, but I was representing Albert Hakim's interests and he will testify to that. I was representing his interests. He wasn't here at the time.

Mr. Trible. So Hakim had no formal interest in this enterprise and yet he contributed $150,000 to the enterprise?

Mr. Secord. He had a formal interest in the enterprise. The enterprise never matured. We wanted to terminate it so this is a termination agreement. We wanted to terminate what was going on. We were having some problems.

Mr. Tʀɪʙʟᴇ. And your contribution to the enterprise?

Mr. Sᴇᴄᴏʀᴅ. As I said earlier, my contribution was to be marketing of the product. The enterprise did not come to fruition.

Mr. Tʀɪʙʟᴇ. I think you also testified yesterday that you were going to offer expertise to the activities of the enterprise as your contribution?

Mr. Sᴇᴄᴏʀᴅ. Yes, marketing.

Mr. Tʀɪʙʟᴇ. Were you Hakim's nominee in terms of the operation of this partnership?

Mr. Sᴇᴄᴏʀᴅ. I don't know whether he was his nominee or not. I was presenting him and he was well aware of it. He will testify to that, I am sure.

Mr. Tʀɪʙʟᴇ. Let's look, if we may, at some of the activities of Tri-American arms. There has been some testimony by your pursuant to questions posed that you considered investing in a company—in fact, an investment in an arms company was made, was it not?

Mr. Sᴇᴄᴏʀᴅ. $60,000.

Mr. Tʀɪʙʟᴇ. $60,000 went to American arms?

Mr. Sᴇᴄᴏʀᴅ. That is right.

Mr. Tʀɪʙʟᴇ. All right, sir. Now, let me direct your attention now to exhibit 76, if I might. Again, is this document what it purports to be, and that is a memo from your fiduciary, Bill Zucker, to your friend and partner, Albert Hakim, about investment opportunities for the company we are now discussing?

Mr. Sᴇᴄᴏʀᴅ. Yes.

Mr. Tʀɪʙʟᴇ. In the second paragraph it talks about to date STTGI has founded Tri-American Arms with $150,000 in U.S. money of which Don—what is his name——

Mr. Sᴇᴄᴏʀᴅ. Morostica.

Mr. Tʀɪʙʟᴇ. Distributed $60,000 of American arms and/or wanted subcontractors to pay for the manufacture of 2,000 receivers. Receivers are what?

Mr. Sᴇᴄᴏʀᴅ. Part of the weapon.

Mr. Tʀɪʙʟᴇ. All right, sir.

Mr. Sᴇᴄᴏʀᴅ. Senator, if I may, there is reference here to STTGI, demonstrates what I said earlier, STTGI is Albert Hakim and I.

Mr. Tʀɪʙʟᴇ. Is that Stanford——

Mr. Sᴇᴄᴏʀᴅ. Technology Trading Group International.

Mr. Tʀɪʙʟᴇ. Let me direct your attention to exhibit 77 and a brief and yet further discussion of this one investment opportunity. This is for Larry Royer and R. Secord, and it discusses the merits of this transaction for further investment in American arms.

In paragraph 6, it projects profits of $22 million. That is a substantial amount of money.

Mr. Sᴇᴄᴏʀᴅ. May I look at the document?

Mr. Tʀɪʙʟᴇ. Please.

Mr. Sᴇᴄᴏʀᴅ. Yes, this was from an investment, venture capitalist who had examined this appropriation and was looking at trying to buy out what remained of it. And these are his projections, he thought he could sell large amounts of these units to military units.

Subsequent to this, I told him that I did not regard the military as a good marketing target because this weapon is too light for that. So, this was simply a projection that he was making based on numbers that are not too good.

Mr. **Trible**. So, now, let me refer you again to exhibit 76. Turn, if you will, to the back where you see handwritten several pages that project operations and sales for American arms.

Mr. **Secord**. This is not my handwriting, so I am not familiar with it right now.

Mr. **Trible**. Let's you and I review it together, then. This is part of the document, or at least appended to the document that you are familiar with. It talks about two phases of this project, 4,000 arms before the Government deadline, phase two relocation of plant.

Then it sets forth in the first phase the pricing of guns, selling price per unit, comes out to 7,200,000 cost per unit, 1 million, projected——

Mr. **Secord**. What is the up of all this Senator, I don't follow you at all?

Mr. **Trible**. Just listen, General.

Mr. **Secord**. I am trying to listen.

Mr. **Trible**. We will get to that.

The bottom line is $6.2 million. Again, substantial sums of dollars projected from these activities; is that correct?

Mr. **Secord**. That is what the notes say. They are not my notes.

Mr. **Trible**. Now, on the next page, we have assignments, Don, Dick and Larry. Are these the first names of the partners?

Mr. **Secord**. Yes.

Mr. **Trible**. And next to Dick is "capital." You are the man who brings in the dollars for these purposes?

Mr. **Secord**. But remember, I said that Hakim was going to produce the dollars, and it says in the same document that it is founded by STTGIOK, which means Hakim and Secord.

Mr. **Trible**. So Hakim through you would generate the capital for these investment opportunities?

Mr. **Secord**. Whoever wrote the document believed that, yes.

Mr. **Trible**. Now, the last page projection of sales in the first year, it says note, domestic sales projected, and then it talks about selling to the Contras and to the Saudis and the Gulf States.

Talks about 25 percent commission and over $1 million profit once again. These were the activities at least projected if this investment had been pursued? Is that correct?

Mr. **Secord**. Yes, but I don't know who the author of this particular document was, but whoever it was was making a lot of assumptions that were incorrect. These were just notional projects that the author was making.

Mr. **Trible**. I understand, but they do reflect, do they not, some accuracy of the discussions surrounding this investment opportunity?

Mr. **Secord**. I can't attest to the accuracy, because the numbers are not right, and the markets are not right. These are very light weapons. They are good for sportsmen, for special police units, things like that.

Mr. **Trible**. All right, now, let me just go through this balance of the memo quickly. It talks about——

Mr. **Secord**. No military outfit would ever use them. They are too cheap.

Mr. TRIBLE. Substantial markup. The memo talks about an investment in timber company. Do you expertise about timber operations?

Mr. SECORD. No, but we were very interested in learning about it.

Mr. TRIBLE. You say it could be accomplished with a minimal investment of $100,000 on which profits of millions could be realized?

Mr. SECORD. Yes, this was the original opinion of a venture capitalist, and I believe that one of the main purposes of this memo from Zucker to Hakim was to check on the accuracy of such a thing.

Mr. TRIBLE. But again, an investment was contemplated that would realize, at least according to this memo, millions of dollars, and once again, your duty, if this had been realized or pursued, was to raise $100,000; is that correct?

You or Hakim?

Mr. SECORD. In this case, it would be Hakim's responsibility.

Mr. TRIBLE. All right, sir. Hakim acting through you?

Mr. SECORD. Yes.

Mr. TRIBLE. Next, on the next page of the memo, there is discussion of an investment in a company process that would upgrade cattle feed, and you actually invested $50,000 in that, did you not?

Mr. SECORD. In what?

Mr. TRIBLE. In CareTech International. Page 3.

Mr. SECORD. Marostica advanced the $50,000.

Mr. TRIBLE. Did he advance that individually or——

Mr. SECORD. Individually and it is a sticking point that we are still negotiating with him. It should not have been done.

Mr. TRIBLE. Was that done on behalf of the partnership or by the gentleman individually?

Mr. SECORD. He did it individually on behalf of the partnership.

Mr. TRIBLE. And where did that $50,000 come from?

Mr. SECORD. It was part of the 150.

Mr. TRIBLE. Then, next, there is a discussion of—in the next paragraph about Saralife International, or Sarlife, to upgrade the use of wheat residual. That and other opportunity for investments. $50,000 here.

Then another business opportunity under consideration by pharmaceuticals. What we are talking about are substantial sums of money that would be required to make these kinds of investments, and of course, substantial profits contemplated should they be successful.

Where are those dollars coming from?

Mr. SECORD. Mr. Hakim had limited amounts of funds to invest. He wanted to have the best possible investment. These are a collection of many different business proposals that were being made to us by the business consultant, Mr. Morastica, and Mr. Royer, and Albert Hakim asked Bill Zucker with his experience in business to examine all of them.

This was the beginning of the examination and none of those things came to fruition.

Mr. TRIBLE. Where did Mr. Hakim get the $150,000?

Mr. SECORD. I have already testified that I believe he took it from his profit accounts.

Mr. TRIBLE. From his profit accounts, but you do not know?

Mr. Secord. No, I have not seen where he could have got it from.

Mr. Trible. Now, you have been asked on several occasions, I think, if you have a Swiss bank account, and you have said no; is that correct?

Mr. Secord. I gave you a signed document this morning that says that.

Mr. Trible. How about other bank accounts?

Mr. Secord. I have a checking account in a British—in the British Midland Bank, which has about 95 pounds in it.

Mr. Trible. How about any beneficial interest in any foreign accounts?

Mr. Secord. None. I have answered that previously.

Mr. Trible. Any member of your family?

Mr. Secord. No.

Mr. Trible. The purpose of this line of questioning is just to raise once again, General, the fact that you are living in a world very different than any of us. You are dealing in a world of foreign bank accounts, investments, changing parts and big dollars, big dollars which you can't really explain where they came from, who provided them, or really the purpose to which they would be directed.

Mr. Secord. I don't agree with that.

Mr. Trible. I understand that and the record will speak for itself, and that was the point of raising the question. To raise the question and give you an opportunity to respond.

Mr. Secord. Thank you, sir.

Mr. Trible. I am not going at this late hour to at the same time plow any new ground or pursue line of questioning further. Rather, let me review, if I might, very briefly, the testimony as I see it.

General, you have been a very effective witness. By that, I mean that you have presented your case very impressively, with the exception of several times yesterday, when you lost your composure, and showed indications of anger or arrogance. You have been commanding in your presence and your presentation has been quite persuasive.

What you have done is you have wrapped yourself and these activities in the American flag, in an attempt to justify what you have done. I am convinced that you are a man who loves this country and I am convinced that you are a man who has sought to advance the interests of this country as you saw them.

But there are some deeply troubling aspects to your testimony and I guess that is the point of the hard questions that have been posed.

Money, secret bank accounts, dealing with very, very dark figures. Millions and millions of dollars. Many people on this committee find it hard to believe that a man who prides himself so much on being in command—"this is my enterprise", "this is my idea", "these are my dollars"—could know so little, care no more, would forswear as much as you have done. Suffice it to say that your testimony about the dollars and the bank accounts and the characters that you have been working with is deeply troubling.

So I think it is appropriate that hard questions have been asked. After the cross examination yesterday a lot of my Virginia constituents called my office and said who is this guy from New York?

Mr. **Arthur Liman**. I thought his cross examination was necessary and I thought it was appropriate.

And I make no apology for the tough questions my colleagues have posed. Nor should you be offended by those. You came here, you said, because you wanted to put the truths out on the table. If you know anything about the truths and pursuit of truth, you know it requires hard questions as well as candid responses.

I also think it is appropriate that Senator Boren and others have pursued a discussion of your associations, your associates and your confederates. In the main they are not patriots. They are out and out profiteers or worse. Your association with men like Wilson, Hakim, Clines, Zucker, it does say something about you. It says something about your judgment, your character, your credibility, and people are judged, after all, by the company they keep.

So that is why we have gone through this long series of questions. Today your actions and your testimony are being judged by 200 million Americans. Regardless of the size of the jury, be it 200 million or smaller, some people are going to believe you are a patriot, and others will believe you are a privateer. I think you are both. I think you are a man who pursued national interests as he saw it because he loved his country, but also a man who pursued at the same time enormous profits.

Now, that is the best of the American dream. People would love to be in that position, to advance the common good and at the same time, to advance their own personal interests.

Here we have a problem. The problem for you and the problem for this country is that your activities seem to have run afoul of the Constitution and the law of the land. They seem to have run afoul. That is why we are here.

What you have done in a very complete and detailed fashion is you have built the foundation on which this committee will build in the days and weeks ahead. Everything that is said in the weeks ahead will be measured by what you have said today. It will be measured against it and in the process, we are going to learn a lot more about you, General, we are going to learn a lot more about your confederates, and your associates, we are both going to learn a lot more about your Government and the American people and our future.

Thank you very much.

Chairman **Hamilton**. The Chair recognizes the gentleman from Massachusetts, Mr. Boland.

Mr. **Boland**. General Secord, have you been before any other congressional investigations?

Mr. **Secord**. I am sorry, sir, I couldn't hear.

Mr. **Boland**. At any congressional investigation you have not been? You testified on the Hill, I take it.

Mr. **Secord**. I have testified on the Hill, but just routinely.

Mr. **Boland**. I think one thing you have learned from this one is that congressional investigations are forums for many opinions; are they not?

Mr. **Secord**. Yes, sir.

Mr. **Boland**. Let me ask you a couple questions, there won't be too many. I think you have been an excellent witness after four trying days, so we are now coming to the end of the road.

You testified that you believe that your activities—and I assume that you were referring to your activities with respect to both the Iran and the Contra affairs, and that your activities were known as approved by the administration. You did testify to that?

Mr. SECORD. Yes, sir.

Mr. BOLAND. And what was the basis for that belief?

Mr. SECORD. Discussions with two National Security Advisers, a Cabinet Officer, Mr. Casey, Oliver North.

Mr. BOLAND. Anyone beyond Oliver North?

Mr. SECORD. Yes, Admiral Poindexter.

Mr. BOLAND. That was aware of your conduct?

Mr. SECORD. Admiral Poindexter and, to a lesser degree during the time that he was involved, Mr. McFarlane.

Mr. BOLAND. How did you know that they were aware of your particular activities in these areas?

Mr. SECORD. Poindexter and McFarlane? Because I discussed directly with them my activities.

Mr. BOLAND. And did you ever discuss any aspect of the diversion of proceeds from the Iranian arms sales or your contra supply operation with Robert McFarlane?

Mr. SECORD. No.

Mr. BOLAND. On the flight back to Washington from London, in December of 1985, with McFarlane and North—do you remember the flight?

Mr. SECORD. Yes, sir.

Mr. BOLAND. Just the three of you were on the flight, as I understand?

Mr. SECORD. That is correct, sir.

Mr. BOLAND. McFarlane never asked what other kind of things you were working on?

Mr. SECORD. No. He was tired, he wanted to go to sleep. But I badgered him a little bit about Iran.

Mr. BOLAND. Did North ever mention anything at all with reference to these activities on that flight, or was he asked, or did you volunteer any information?

Mr. SECORD. About the Contras?

Mr. BOLAND. At that time. I am talking about the flight in December of 1985, where just the three of you were returning from London.

Mr. SECORD. Yes, sir. I don't think the subject of the Contras arose at all on that flight.

Mr. BOLAND. Now, Mr. McFarlane testified before—you are aware of it, I am sure—before the Tower Commission that North had informed him in Tehran in May of 1986—and I think he informed him on the tarmac of the Tehran Airport—of the diversion of funds to the Contras. You testified that McFarlane spoke with you in Tel Aviv when he came back from Tehran.

Mr. SECORD. Yes, sir.

Mr. BOLAND. And you and McFarlane were the only two people at that particular meeting, and as I understand it, he was reporting to you about his meeting in Tehran, is that correct?

Mr. SECORD. That is not quite correct.

There were a number of people standing outside the airport.

Mr. BOLAND. There were a number of people at that meeting?

Mr. **Secord**. It wasn't a meeting, Mr. Boland, it was a quick chat.

Mr. **Boland**. Did he indicate that when he arrived in Tel Aviv from Tehran he wanted to meet with you—you were told he wanted to meet with you?

Mr. **Secord**. I don't recall that. I recall meeting him at the aircraft when he got off. I recall chatting with him, standing there on the tarmac. A number of other people were walking around there. I recall him getting on the SATCOM gear which had been set up on the tarmac. That was what he was most interested in, getting a telephone call back into the White House.

Mr. **Boland**. Let me ask you, Mr. Secord, whether or not, again, whether you and Mr. McFarlane were together alone at a meeting in Tel Aviv when he came back from Tehran?

Mr. **Secord**. We may have been separated from the others for a little while, but not for long.

Mr. **Boland**. All right. And he never mentioned the news that he had just learned about, the diversion that he had just learned a couple hours before in Tehran, an hour or something before?

Mr. **Secord**. No.

Mr. **Boland**. Never mentioned that?

Mr. **Secord**. He never mentioned that.

Mr. **Boland**. You testified that you believed that both your Iranian and Contra activities were sanctioned by the U.S. Government. Mr. McFarlane was North's boss for part of that time, just part of that time, that you were involved with the Contras. That is true, isn't it?

Mr. **Secord**. Yes, sir.

Mr. **Boland**. Did you think that it was passing strange that he didn't ask you about the status of the Contra operations either on the flight back from London or in Tel Aviv after he learned of the diversion?

Mr. **Secord**. No, I don't think it was strange at all. Everybody was very, very sad about the outcome at Tehran. That was the total focus as far as I know.

Mr. **Boland**. I think you were asked did you ever discuss any aspect of the diversion of proceeds from Iranian arms sales or any other aspects of your Contra supply operation with Admiral John Poindexter and, if so, when?

Mr. **Secord**. And I said that I did not discuss it with him, but I was informed that he was aware.

Mr. **Boland**. You never did?

Mr. **Secord**. No.

Mr. **Boland**. You testified that you met Oliver North in a hotel room on the day in November of 1985, I think perhaps November 25, 1985, when he was discharged from the National Security Council. You testified to that, did you?

Mr. **Secord**. 1986. Yes, sir.

Mr. **Boland**. Did you have occasion to meet with North again at the Embassy Suite Hotel at Tyson's Corner in December of 1985?

Mr. **Secord**. I don't recall any such meeting.

Mr. **Boland**. In December 1985 at the Embassy Suite at Tyson's Corner, did you meet with——

Mr. **Secord**. The meeting I recall was on November 26 at the Embassy Suite.

Mr. BOLAND. What was the date?

Mr. SECORD. November 26.

Mr. BOLAND. November 25th?

Mr. SECORD. 26th.

Mr. BOLAND. 26th?

Mr. SECORD. Yes, sir.

Mr. BOLAND. Who arranged the meeting?

Mr. SECORD. I don't recall who arranged it. We agreed to meet there.

Mr. BOLAND. What was the purpose?

Mr. SECORD. We are talking about 1986, aren't you? After the revelation?

Mr. BOLAND. Yes.

Can you indicate who was present at that meeting?

Mr. SECORD. Casey? No, sir. I thought you said was Casey present.

Mr. BOLAND. Was Tom Green present?

Mr. SECORD. Yes.

Mr. BOLAND. Was Brandon Sullivan present?

Mr. SECORD. Yes, as I have already testified.

Mr. BOLAND. Who was Brandon Sullivan?

[Witness confers with his counsel.]

Mr. SECORD. He is an attorney. He is North's attorney.

Mr. BOLAND. So I take it that this meeting occurred after North's refusal to testify before a committee of the House of Representatives?

Mr. SECORD. No.

Mr. BOLAND. It occurred before?

Mr. SECORD. Before.

What was the date that North refused to testify—that was in December, was it not?

Mr. BOLAND. I think he testified before the House Foreign Affairs Committee on, I think, December 9.

Mr. SECORD. This is November 26.

Mr. BOLAND. 1986, yes. I am talking about 1986.

Mr. SECORD. Yes, sir. So am I.

Mr. BOLAND. Yes.

Was there any advice given to North, to Colonel North, at that time by you?

Mr. SECORD. By me?

Mr. BOLAND. Yes.

Mr. SECORD. No.

Mr. BOLAND. Can I ask whether or not any advice was given by any of the lawyers there?

Mr. SECORD. Well, with respect to the committee, these questions involve joint client communications with my attorney which are protected by both the attorney-client and joint defense privilege.

Mr. BOLAND. Now I would like to direct your attention to the period October 3, 1984, through December 19, 1985, just the matter of a little amendment. It has been variously described. It was described, I think, by you as like swiss cheese, full of holes.

Mr. SECORD. No, sir, I didn't say that.

Mr. BOLAND. And I think perhaps even the counsel for the Senate indicated that he—that yesterday I think he mentioned the same characterization that you applied to it.

Can you indicate what your activity on behalf of the Contras at that time during that period, October 3, 1984, through December 19, 1985—I have a list of them here, but you were pretty well involved in the Contra activities during that period, were you not?

Mr. SECORD. Yes, sir.

Mr. BOLAND. What was the role of Oliver North in those activities?

Mr. SECORD. Oliver North introduced me to the Contra leaders. Oliver North collected the information from me. He kept track of what was going on during these operations. He urged me ahead when the time came to try and create the air operation which I described earlier.

He urged me strongly to move forward in that area and I did.

Mr. BOLAND. Now, were other members of the United States Government providing assistance to these activities?

Mr. SECORD. Yes, sir. I have testified to this previously.

Mr. BOLAND. You responded to a question from Mr. Stokes that while you didn't know the legislative history of the amendment, you were aware of various legal opinions that apparently led you to conclude that its meaning was less than clear, and that was the reference made here today, too—not by you.

Let me read the Boland amendment that was in effect between October 3, 1984, and December 19, 1985.

> During fiscal year 1985, no funds available to the Central Intelligence Agency, the Department of Defense or any other agency or entity of the United States Government involved in intelligence activity may be obligated or expended for the purpose of or which would have the effect of supporting, directly or indirectly, military or paramilitary operations in Nicaragua by any nation, group or organization, movement or individual.

General, they are very simple english words. If you have demonstrated anything here in the last four days, it is your magnificent knowledge of the english language, literally.

Now, what would be your literal interpretation or your literal opinion, unadorned opinion of that particular amendment?

Mr. SECORD. Well, I associate myself with the remarks made by Representative Hyde on this subject. I am not a lawyer, obviously, but I believe that it is an anti-appropriations act, pure and simple, and does not cover private funds.

Mr. BOLAND. General, you understand words. I just read the amendments.

Mr. SECORD. Yes, sir.

Mr. BOLAND. The words are simple. They are unadorned. They are literal.

Mr. SECORD. It means to me——

Mr. BOLAND. They are clear.

Mr. SECORD. It means to me that no U.S. Government funds can be expected by those agencies that you ticked off.

Mr. BOLAND. Let me ask you whether or not—do you believe the National Security Council, the NSC, is an intelligence organization?

Mr. SECORD. No, sir.

Mr. Boland. You don't think it is engaged in any kind of intelligence?

Mr. Secord. I don't think it is an intelligence agency.

Mr. Boland. Let me ask you again, do you think it is engaged in any kind of intelligence?

Mr. Secord. It reads intelligence constantly. Lives on intelligence.

Mr. Boland. Haven't the events of the past months indicated clearly that it is deeply engaged in intelligence activities?

Mr. Secord. They were collecting intelligence, yes.

Mr. Boland. Do you have any confusion at all with the words that I have just read with respect to the Boland amendment?

Mr. Secord. I understand the words, Mr. Boland, but it also tells me that private funding is legal.

Mr. Boland. Are you aware of any legal challenge to the Boland amendment?

Mr. Secord. No, sir. I have to leave that to the government lawyers.

Mr. Boland. If there hasn't been a legal challenge to it, does the law stand as it is as the law?

Mr. Secord. As far as I am concerned, it does.

Mr. Boland. In your judgment, was there a violation of that amendment.

Mr. Secord. No, sir. But I am not a lawyer.

Mr. Boland. Have you had any legal opinion to that effect?

Mr. Secord. Many.

Mr. Boland. And you are not aware that any challenge was raised with reference to the amendment, any legal challenge?

Mr. Secord. I am aware that a number of people hold a number of different opinions on this.

Mr. Boland. Isn't the law the law until it is challenged, until it is changed by the Congress or until there is an interpretation by the Supreme Court, final interpretation?

Mr. Secord. Yes.

Mr. Boland. Tom Green ought to know.

Mr. Secord. Yes, sir. Boland says nothing about private funds.

Mr. Boland. Thank you, Mr. Chairman.

Thank you, General.

Mr. Secord. Thank you, sir.

Chairman Hamilton. I recognize the gentleman from New Jersey, Mr. Courter.

Mr. Courter. I thank the Chair.

General, thank you very much. I appreciate your being here for so long under difficult circumstances.

I believe that your testimony has been credible and I certainly do appreciate your being here without seeking a grant of immunity. Had you sought one, I am convinced personally that we would have granted it to you.

Senator Nunn was saying that there are four theories or justifications for reasons why the United States initiated the Iran situation. One was a geopolitical or strategic reason; the second was a hostage reason, to get the hostages out that were in Lebanon; and the third was permitting or allowing individuals to make profits; and the fourth was the Contras. And by the tenor of his questions, I assumed that he thought the evidence favored three and four. You and I believe that the evidence, I believe, favors one and two.

Let's look at the strategic question. Is it unusual—you have been involved in government, you have served this country for a long time—is it unusual for a government such as the United States to try to improve relationships with a government it has bad relations with?

Mr. Secord. No sir.

Mr. Courter. What would you think of a government that didn't attempt to do that?

Mr. Secord. I have criticized the government for not doing that.

Mr. Courter. Would you believe that it is appropriate for this government to try to make contacts in a government in which it has or with which it has no relations whatsoever?

Mr. Secord. Yes sir.

Mr. Courter. What would you think of our government if we didn't intend to do that or try to do that?

Mr. Secord. I would think it is foolish.

Mr. Courter. Let's look at the nature of covert activities if we can. You have been involved with covert activities, you know them, you have been working with them over the time of your life. Do covert activities sometimes take or use private individuals to further the goals of that covert activity?

Mr. Secord. Frequently.

Mr. Courter. Would it be safe to say that sometimes covert activities require the use of private citizens, whether they be citizens of this country or a foreign country, to gather intelligence for the further success of that covert activity?

Mr. Secord. We have done it many times, with respect to Iran.

Mr. Courter. Would it be fair to say that covert activities often use private citizens in order to supply logistics?

Mr. Secord. Yes sir.

Mr. Courter. Let's take an Achille Lauro type of incident—we can't take that one specifically, because it was an operation that took place. If Americans were held hostage aboard a ship, would it be fair to say that if we wanted to institute a covert activity to rescue those Americans, wouldn't it be fair to say that we may use the ship's captain or first mate or passengers to try to have a successful covert activity to salvage the people on that ship?

Mr. Secord. Yes sir.

Mr. Courter. Would it be fair to say that we may go to the manufacturer of that ship so he could give us plans of where passageways were or cabins were located?

Mr. Secord. Yes sir.

Mr. Courter. Would it be fair to say we might use a private plane or boat company in order to gain access into the ship?

Mr. Secord. They did in the case of the Achille Lauro.

Mr. Courter. Let's look at the operation with regard to Desert I or a Desert I type operation. Would it be fair to say that in that type of covert activity, that in order to gain back the freedom of Americans being held hostage unfairly against their will for over a year, that we would ever use foreign people to supply us intelligence as to where they were located?

Mr. Secord. We did and we took them with us.

Mr. COURTER. Do you think that the Desert I operation, in order to release American hostages, had greater risks than the Iranian operation, which would lead to release of Americans?

Mr. SECORD. Did the Desert I operation have greater risk?

Mr. COURTER. Yes.

Mr. SECORD. Yes sir. Greater physical risk.

Mr. COURTER. I am not sure whether you are familiar with John Scali. He was an tv commentator in 1962. The Soviets gave him what turned out to be a critical message to give to then President Kennedy during the October missile crisis. He became you might recall, the conduit for a series of messages to and from the Soviets. He met sometimes with Soviet agents in coffee shops in New York City.

His intervention turned out to be a breakthrough that ended the Cuban Missile Crisis. Do you recall reading about that incident?

Mr. SECORD. Yes sir.

Mr. COURTER. To our knowledge, was John Scali an official of the U.S. Government?

Mr. SECORD. He was not.

Mr. COURTER. Do you recall the time that Jesse Jackson went to Syria, spoke with Mr. Assad to liberate Robert Goodman, a U.S. Navy flyer shot down in 1983?

Mr. SECORD. Yes sir.

Mr. COURTER. Do you recall the fact that President Reagan met with Jackson and the flyer at the White House?

Mr. SECORD. I do.

Mr. COURTER. Was Jackson a public official at the time he went there?

Mr. SECORD. No, sir.

Mr. COURTER. Are you aware of the fact that covertly executed there are U.S. private citizens attempting to get out of U.S. POWs, that that occurred and is occurring today?

Mr. SECORD. I have heard it is and has.

Mr. COURTER. Directing our attention to the Bay of Pigs situation when President Kennedy was President of the United States, during that covert operation to liberate Cuba from totalitarianism, were all people used in that operation U.S. Government officials?

Mr. SECORD. No sir.

Mr. COURTER. Did we use any Cubans?

Mr. SECORD. Mostly.

Mr. COURTER. They were not citizens of the United States and they were not operatives of the CIA, is that correct?

Mr. SECORD. I don't believe they were operatives of the CIA.

Mr. COURTER. They were not officials of the U.S. Government?

Mr. SECORD. No.

Mr. COURTER. Are you aware of the fact that the CIA contracted Air America before and during the war in order to place supplies of war materiel inside Vietnam?

Mr. SECORD. I used to be in charge of a major section of it.

Mr. COURTER. Was Air America a government organization?

Mr. SECORD. I believe it was a government proprietary.

Mr. COURTER. Were people that fly that airplane all people in the service?

Mr. SECORD. No.

Mr. COURTER. Was that a private company that was contracted by the U.S. Government to supply these shipments?

Mr. SECORD. Yes.

Mr. COURTER. Is that to a degree somewhat similar to the private companies that you hired for the purpose of sending supplies to Central America?

Mr. SECORD. We were in some messes trying to recreate just that, on a smaller scale, of course.

Mr. COURTER. So it is not unusual to use private companies, private individuals, to further covert operations?

Mr. SECORD. I agree.

Mr. COURTER. Would it be your studied opinion that it would be quite foolish not to?

Mr. SECORD. I don't see how we could ever abandon that tool.

Mr. COURTER. You think it is an important and necessary requirement in order to have success in covert activities?

Mr. SECORD. Yes, sir.

Mr. COURTER. Let's turn for a second to another small area, and that is the relationship with Iran and the United States during the Iranian operation.

It was your testimony that you thought that it would be impossible for Iran to directly deal with the Government of the United States; is that correct?

Mr. SECORD. That is correct.

Mr. COURTER. And on what do you base that opinion?

Mr. SECORD. I base it on my opinion of what has come from the Iranian revolution and the Ayatollah's characterization of the United States. For that reason alone, common sense tells you that there could be no direct dealings. The CIA also shares that view.

Mr. COURTER. Is that from the Iranians that you spoke to?

Mr. SECORD. Yes sir.

Mr. COURTER. Was that their opinion, as well, as one of the reasons we went covert and used private individuals and private companies, was for the very stated reason that a country like Iran, whose leadership called us the Great Satan, couldn't turn around and overtly do business with us?

Mr. SECORD. They made it very clear they were fearful for their lives.

Mr. COURTER. Let's turn to the second reason as to why some people say we had an operation in Iran and think it was a valid reason, the second reason, for hostages.

The Senator from Georgia indicated that that was not the real reason. Were you aware of the fact that William Buckley, who was in the CIA and stationed in that part of the world, was captured by individuals and was being held captive in Lebanon?

Mr. SECORD. Yes, sir.

Mr. COURTER. Are you aware of the fact that he was tortured?

Mr. SECORD. There were a lot of reports that indicated he was tortured, including reports from released hostages.

Mr. COURTER. Do you think that if you were in a position of establishing policy and you heard reports that an American citizen who was working for the U.S. Government had been tortured for a long period of time, would you say that you would initiate an operation to try to free those that were still alive?

Mr. SECORD. Absolutely.

Mr. COURTER. Is that a legitimate function of the U.S. Government?

Mr. SECORD. It is a duty.

Mr. COURTER. Were you aware of the fact that allegedly the U.S. received a transcript of what Mr. Buckley was saying under torture?

Mr. SECORD. I have not seen any document but we were told by some of the Iranians that there were at least 400 pages of debriefing.

Mr. COURTER. 400 pages of statements——

Mr. SECORD. Of debriefing, yes.

Mr. COURTER. Would it be reasonable to conclude that if he was killed and tortured, that other Americans may be killed and tortured, as well?

Mr. SECORD. Yes, sir.

Mr. COURTER. There was a time in your testimony that you indicated that there was a contact known as "the relative" that you started to have negotiations with.

Mr. SECORD. Yes.

Mr. COURTER. Did it come to your attention during this operation that other people not working for the government attempted to contact the relative?

Mr. SECORD. He mentioned Senator Kennedy and former Secretary of State Haig.

Mr. COURTER. Was that, to your knowledge, a credible statement that other individuals attempted to use this valuable source to further release of American hostages?

Mr. SECORD. Yes, sir.

Mr. COURTER. If it was reasonable for Senator Kennedy and Alexander Haig to go to third parties in Iran to gain release of hostages, would you conclude that would be reasonable for Reagan and the Government of the United States, the chief executive branch, to do the same thing?

Mr. SECORD. Yes, sir.

Mr. COURTER. In the letter that Mr. McFarlane sent you dated November 19, 1985, wherein he said your discreet assistance is again required in support of our national interest, in that letter did he ever mention profits or did he mention the real reason of the Iranian operation was to give a little more money to the Contras in Central America?

Mr. SECORD. No, sir.

Mr. COURTER. Let's turn to profits, which was the third reason, and one preferred by the Senator.

Do you have any reason to believe that the U.S. Government would enter this type of a difficult operation in Iran involving you and other individuals for the purpose of allowing you to earn more money?

Mr. SECORD. No, sir.

Mr. COURTER. Do you think they would do it to permit you to enrich yourself?

Mr. SECORD. No, sir.

Mr. COURTER. Do you think or did anybody say to the U.S. Government that you were under-paid during the time that you were an employee of the U.S. Government and in the service and, therefore, they wanted to initiate an Iranian operation to compensate you for the time that you were under-compensated?

Mr. SECORD. No, sir.

Mr. COURTER. You testified before that you had about $90,000 in equity in your house, and you had bank accounts that you could withdraw. What was the total sum—we have, of course, as part of the record a list of those bank accounts, the names of which we won't go into, but what is the total amount of money that you have in these various bank accounts that you now have the right to draw on?

Mr. SECORD. $3,000 or $4,000, something like that.

Mr. COURTER. $3,000 or $4,000?

Mr. SECORD. Yes.

Mr. COURTER. If you add the $90,000 you have in your house and the $3,000 or $4,000 you have in equity in bank accounts, how much does that come to?

Mr. SECORD. Not very much.

Mr. COURTER. Based on that information, did you enrich yourself by virtue of your work in the Iranian connection?

Mr. SECORD. No, sir.

Mr. COURTER. Did you not testify earlier that you are worse off financially because you are devoting so much of your energy in this direction that you have lost lucrative clients?

Mr. SECORD. Yes, sir.

Mr. COURTER. Would you say that you are worse off now financially because of your service in the Iranian situation?

Mr. SECORD. Yes.

Mr. COURTER. Let's turn to the Contras, which is the fourth reason indicated by Senator Nunn. He indicates that one of the favorite reasons that we initiated the Iranian situation, and that raises the important issue of agency and the issue of whose money was it and under whose control was it. You testified earlier that the moneys that were the profits or the operating and necessary funds were in your discretion to be used as you thought best to further the work of the enterprise and was not the money of the U.S. Government.

Mr. SECORD. That is correct.

Mr. COURTER. If that money was the money of the U.S. Government, would someone who at that time clearly was working for the U.S. Government, Ollie North, not tell you what to do with that money?

Mr. SECORD. Yes, sir.

Mr. COURTER. He wouldn't have asked?

Mr. SECORD. He would have asked.

Mr. COURTER. But if it was U.S. money, would he not have asked or told you that he wanted ample funds for Central America?

Mr. SECORD. He would have directed it.

Mr. COURTER. Did he?

Mr. SECORD. No.

Mr. COURTER. Why?

Mr. SECORD. He couldn't because they were private funds.

Mr. COURTER. Did you and everybody understand that?

Mr. SECORD. Everybody I was dealing with understood it.

Mr. COURTER. You indicated in your testimony that you did, in fact, use some of those proceeds approximately, and correct me if my recollection is wrong, about $3.5 million for the contra effort in Central America.

Mr. SECORD. Yes, sir.

Mr. COURTER. That was your decision?

Mr. SECORD. Absolutely.

Mr. COURTER. And you decided that way because you sympathized with their cause?

Mr. SECORD. And because I had a big stake in it. I had to keep this operation going. I couldn't let it die.

Mr. COURTER. How long did the Iranian operation take place with regard to the sale of weapons? It was over quite a number of months, was it not?

Mr. SECORD. Approximately 10 months.

Mr. COURTER. So over 10 months we managed to squeeze out $10 million for the Contras in Central America?

Mr. SECORD. Yes, sir.

Mr. COURTER. Wasn't it your testimony earlier that one country gave $10 million?

Mr. SECORD. We were told they did.

Mr. COURTER. You understand that is the case?

Mr. SECORD. I understand that.

Mr. COURTER. Don't you think it would have been a lot better if the function of your work was to gain money for Central America, energies would have been put into asking private individuals and third countries rather than spending 10 months in order to come up with $10 million?

Mr. SECORD. Indeed, and that is what they were doing.

Mr. COURTER. You indicated also that Bud McFarlane broke up the meeting in Tehran because hostages were not released?

Mr. SECORD. Yes, sir.

Mr. COURTER. If Bud McFarlane's desire at that particular time was to have this continuing sale of weapons in Iran to generate profits for the Contras in Central America, why would he have risked the entire venture because hostages were not released?

Mr. SECORD. It was not on his mind at all. He had nothing to do with it.

Mr. COURTER. He had in mind the hostages and not Central America?

Mr. SECORD. Absolutely.

Mr. COURTER. I would like to get into the last area. They are short questions, and I won't take too long. During the time that you were helping out in Central America with the air supply network, was it not your understanding and belief at that time that although the policy of the U.S. Congress at that time was not to officially give government money to the Contras, but that one day soon we would recognize the peril and, in fact, would vote that day?

Mr. SECORD. Yes, sir.

Mr. COURTER. Did that come about?

Mr. SECORD. Yes, sir.

Mr. COURTER. When did it come about that the U.S. Congress, the House and the Senate, with the President signing into law, said that what we should do is to assist the Democratic Resistance in Central America?

Mr. SECORD. In the summer of 1986.

Mr. COURTER. So that was the policy? December of 1986. Was it consistent with that policy that you kept the Contras alive for two years?

Mr. SECORD. I think that our actions in trying to keep the Contras alive were completely consistent with that.

Mr. COURTER. We voted about $105 million for giving aid to the democratic resistance in Central America in late 1986. In order for the resistance there to be in the same stage, the same capability as it is today, how much money would it have required had your operation for two years never have gotten underway?

Mr. SECORD. I don't know, but probably an awful lot more.

Mr. COURTER. Do you think that the Contras would have survived in the state that they did had it not been for your air supply operation?

Mr. SECORD. It was our estimation that they would be driven from the field and defeated in detail.

Mr. COURTER. I thank the gentleman, and I thank the chair.

Chairman HAMILTON. The Chair recognizes the gentleman from Georgia, Mr. Jenkins.

Mr. JENKINS. Thank you, Mr. Chairman.

On behalf of myself and the committee, I want to apologize for the interruptions and probably repetitive questions when we have gone to vote and therefore missed what the other committee members have asked. I know that that is distracting.

My questions will be very short because I think most of the ground has already been covered many times over. I do not disagree with my colleague from New Jersey who has just finished questioning that the Federal Government obviously uses private companies and individuals in many situations.

Of course, I guess the difficulty during this particular time, is that they could not employ you to send funds to the Contras, could they, because it was illegal?

Mr. SECORD. Thank is right.

Mr. JENKINS. So the Federal Government did not have the option of employing private individuals for this particular activity?

Mr. SECORD. Correct.

Mr. JENKINS. And so it was undertaken as a commercial enterprise by you with help from Colonel North and several CIA employees; is that correct?

Mr. SECORD. Yes, sir.

Mr. JENKINS. Not having served on the Foreign Affairs Committee or the Intelligence Committee, I am not personally familiar with many of the areas involving foreign affairs. I serve on the tax writing committee and I want to ask you some questions involving that area.

You served as a Director of Stanford Technology?

Mr. SECORD. Yes, sir.

Mr. JENKINS. That is a corporation?

Mr. SECORD. Stanford Technology Trading Group, International, yes.

Mr. JENKINS. Did you own stock in that corporation?

Mr. SECORD. Fifty percent of the stock; yes, sir.

Mr. JENKINS. Where was that incorporated?

Mr. SECORD. It was incorporated in California in 1983.

Mr. JENKINS. You owned 50 percent of the stock in that corporation and you still own 50 percent of the stock in that corporation?

Mr. SECORD. Yes, sir.

Mr. JENKINS. Mr. Hakim owned the other 50 percent of the stock?

Mr. SECORD. Yes.

Mr. JENKINS. And still does?

Mr. SECORD. Yes.

Mr. JENKINS. And this corporation was set up as the functioning agent of the enterprise; is that correct?

Mr. SECORD. No, sir, it was not. I did everything I could to keep the operation completely offshore and discrete from Stanford Technology.

Mr. JENKINS. All right. The enterprise was operated under what name?

Mr. SECORD. It was operated under many names. It was a clandestine operation. We have been referring to it here as lake resources generally.

Mr. JENKINS. Is that a corporation?

Mr. SECORD. It is a Panamanian corporation.

Mr. JENKINS. And do you own stock in that corporation?

Mr. SECORD. No, sir. I do not own stock in any of those Panamanian companies that were set up in this enterprise.

Mr. JENKINS. You have testified that you had the control over the expenditure of funds through Mr. Hakim.

Mr. SECORD. Yes, sir.

Mr. JENKINS. Is that correct?

Mr. SECORD. Yes, sir.

Mr. JENKINS. And he didn't expend any funds unless you told him to?

Mr. SECORD. That is correct.

Mr. JENKINS. And he didn't refuse to expend any funds after you told him, assuming that he had them available?

Mr. SECORD. Correct.

Mr. JENKINS. You had total direction and control over the expenditure of all funds in that enterprise?

Mr. SECORD. As a practical matter, I believe I did, sir.

Mr. JENKINS. Now, out of that enterprise, the profits went to the corporation? The profits that were being generated from the Iranian sales—where did those profits go into?

Mr. SECORD. There were no profits from the Iranian sale, sir.

Mr. JENKINS. From the initial Contra sales?

Mr. SECORD. They went into accounts set up by Albert Hakim. In Switzerland.

Mr. JENKINS. I understand. The corporation received no funds whatsoever?

Mr. SECORD. You are talking about lake resources?

Mr. JENKINS. Yes.

Mr. SECORD. Yes, it received funds. As to the exact details of how he handled these functions among these accounts, we are still working on that and I don't know. I have been helping the committee staff trying to get to the bottom of all these line items.

Mr. JENKINS. I am just a little bit confused. You directed the activities——

Mr. SECORD. Yes.

Mr. JENKINS. And yet you did not keep a running account of how much you were taking in and how much you were spending and for what purposes?

Mr. SECORD. The type of running account that I kept is that which I have given to the committee. I have the records covering a good deal of period, and I have given them to you, and that is the way I kept track of the money.

I relied on Mr. Hakim to manage these funds in detail.

Mr. JENKINS. Why did you entrust Mr. Hakim without apparently any written documents whatsoever?

Mr. SECORD. It was a covert operation. I felt I needed him, and I have great faith in Mr. Hakim, and I think that the fact that the monies are still there justifies my faith.

Mr. JENKINS. You indicated that Mr. Hakim may not relinquish his profits, is that correct?

Mr. SECORD. I can't speak for Mr. Hakim, but he will be here in a few days. I said that I intend to speak with him and his counsel in a few days.

Mr. JENKINS. Well, he entered into this not as a benevolent situation, but as a commercial enterprise to make money, did he not?

Mr. SECORD. Yes, but as to the surplus account, he meant the surplus funds to remain there, because this operation was aborted in midstream, and we just have a snapshot—what existed there now is what existed there at the time, I don't know in detail what his position is going to be on that or what the obligations are.

I will have to discuss that with him and his counsel, and I will urge him to take my position.

Mr. JENKINS. Have you and Mr. Hakim paid taxes on this commercial enterprise's profits?

Mr. SECORD. No, sir. We couldn't. It was a covert undertaking, and I didn't believe I had any tax implications. Maybe I was wrong.

Mr. JENKINS. If one forms a commercial enterprise and decides to engage in covert activities, one is alleviated from the responsibility of taxes, is that your testimony?

Mr. SECORD. I am going to have to rely on the tax lawyers for that, sir. We had a tax lawyer in Mr. Zucker. I have to rely on the tax lawyer.

Mr. JENKINS. Was Mr. Zucker your tax attorney?

Mr. SECORD. He was the tax attorney of those accounts. He was Mr. Hakim's attorney, and Mr. Hakim owned those accounts.

Mr. JENKINS. This morning, you indicated that you wanted to make a recommendation that $6 or $7 million, which probably would be the greatest diversion of all——

Mr. SECORD. Yes, sir.

Mr. JENKINS [continuing]. Would go to Nicaragua in the name of Director Casey. You can only recommend that?

Mr. SECORD. I intend to talk to both his counsel and him and try to get them on board with that position. I have to be completely frank with you, sir. I can't promise you that can force it. I am going to try to reason with them and make them see the worth of my position.

Mr. JENKINS. What is their position?

Mr. SECORD. It was mentioned earlier that it seems a little odd that I would want to do that, since it is my position that these are private funds. I agree with you that it is odd. I believe I also said that I am very tired, tired of being chased on this, so my position is give it all to the fund.

I think it is a worthy fund, give it all to the fund. But I am sure, sir, that the lawyers on the Hill, the lawyers at the Justice Department and elsewhere, are going to be working on this one for quite a while.

Mr. JENKINS. If it was a commercial enterprise, the Internal Revenue may have something to say about it also.

Mr. SECORD. Yes, sir.

Mr. JENKINS. You don't know whether Mr. Zucker made any filings whatsoever with the Internal Revenue?

Mr. SECORD. No, sir.

Mr. JENKINS. You left that entirely up to Mr. Hakim?

Mr. SECORD. Yes, sir.

Mr. JENKINS. You do not know whether or not Mr. Zucker takes the position that contributions to DEA would be a business deduction for your enterprise?

Mr. SECORD. I have no idea, sir.

Mr. JENKINS. Or that the purchase of a ship would be a business deduction for your enterprise?

Mr. SECORD. Sir, I don't know that the details would be. It seems legal.

Mr. JENKINS. It would appear to me, and also I would assume that they would be depreciating all of this equipment; is that right?

Mr. SECORD. I don't know, sir.

Mr. JENKINS. You don't know how Mr. Hakim does his taxes, of course, either?

Mr. SECORD. I have never seen his taxes.

Mr. JENKINS. But since you trust him a great deal, you assume that he does those——

Mr. SECORD. I am sure he paid his taxes promptly.

Mr. JENKINS. Have you talked to Mr. Hakim recently?

Mr. SECORD. I spoke to him on the phone about a week ago, and he told me that he would be here—I believe he will be here in a few days.

Mr. JENKINS. And at that time, I would assume you all, you and he, would make a decision?

Mr. SECORD. Counsels will get together and we will sort this thing out. And we will be with your counsels.

Mr. JENKINS. I look forward to meeting Mr. Hakim. Thank you very much.

Thank you, Mr. Chairman.

Mr. SECORD. Thank you, Mr. Jenkins.

Chairman HAMILTON. Mr. McCollum is recognized.

Mr. MCCOLLUM. Thank you very much, Mr. Chairman.

General Secord, you have been very patient with us. I think I am the last one to get to discuss anything with you today. I have a few things I would like to go over with you.

Mr. **Secord**. Yes, sir.

Mr. **McCollum**. First of all, I would like to direct your attention to a very old law that is on the books of the United States. It is under title 22, United States Code, Section 1732, which is an 1868 law, and it reads,

> Whenever it is made known to the President that any citizen of the United States has been unjustly deprived of his liberty by or under the authority of any foreign government, it shall be the duty of the President forthwith to demand of that government the release of such imprisonment, and if it appears to be wrongful and in violation of the rights of American citizenship, the President shall forthwith demand the release of such citizen, and if the release so demanded is unreasonably delayed or refused, the President shall use such means not amounting to acts of war as he may think necessary and proper to obtain or effectuate the release, and all the facts and proceedings relative thereto shall be as soon as practicable communicated to Congress.

It seems to me, General, that this expressed the general broad outline of the power of the President of the United States to do what he has to do to release the hostages or gain release of any hostages.

Were you familiar, in your experience, with this particular statute?

Mr. **Secord**. Well, sir, I am not a lawyer, but I was aware there was a statute and that is why I said earlier it is the duty of the government.

Mr. **McCollum**. General, it seems to me that the problem is not with the fact that the President had the powers to do a lot of things that were done with regard to the hostages, with regard to the whole Iranian matter.

It is the way that it was conducted. And looking back on some of the things that you have been involved with, obviously you have a broad background in covert operations, and in international security matters, having been a Deputy Assistant Secretary of Defense for those purposes, and even after you left government service formally, you had a couple of years, you worked with the special, what they call it, the special operations policy advisory group.

Could you tell us what that group was all about?

Mr. **Secord**. This is a group of retired Generals and flag officers who are empaneled to independently provide advice and counsel to the—directly to the Secretary of Defense on matters affecting special operations.

In today's world, special operations have become much more important, and so, a few years ago, the Secretary empaneled such a group.

Mr. **McCollum**. What do you mean by special operations, General, what are we talking about in sort of laymen's terms?

Mr. **Secord**. This is—it has become a term of art in the Pentagon and it is confusing, but this applies to the—to all the forces in the Defense Department that are designated as special operating forces, and they are specifically three ranger battalions, the counterterrorist unit, special seal units within the Navy, the first special operations wing of the U.S. Air Force, and a few other classified units.

Mr. **McCollum**. So, you were not only active in terms of your active duty time in areas that would directly involve you in knowledge of the CIA and the Defense Intelligence Agency and the special operations forces you just described, but you kept up that, you were actually an adviser to our Department of Defense on these matters after you left in this group, is that not correct, General?

Mr. SECORD. That is correct.

Mr. McCOLLUM. General, with all of this, I want to ask you an opinion. You got a lot of expertise, it seems to me, in this regard, and I have been puzzled throughout these hearings so far, and throughout all the time I have been reading about this matter about this one area.

With all of the resources available of the CIA, the Defense Intelligence Agency, the State Department, and the special operations forces of our military that you just described for us, with all of them available, why in your opinion did Robert McFarlane, Admiral Poindexter, Director Casey, and Colonel North go outside these regular operational resources and try to handle the Iran dealings and the hostage rescue and release matters by themselves, and generally without much involvement of those resources, and you used actually more than they did these resources.

Why, in your opinion, with all of your knowledge of those resources, did they do that?

Mr. SECORD. Well, your question asks for my opinion, and of course, that is all I can give is my opinion.

Mr. McCOLLUM. That is all I want.

Mr. SECORD. In this case. I believe that they made these decisions and the President made such decisions because a number of years had gone by without any action with respect to Iran, that I think there was great frustration within the bureaucracy, I think there were intelligence failures which we have talked about earlier, and I don't think I need to go back over again, but I think all these factors combined to cause the President and his chief advisers to conclude they have to try something unconventional.

Mr. McCOLLUM. In other words, the system failed, all those resources we had, and they really couldn't rely on, their experience was such that it was not working.

Mr. SECORD. In my opinion, they did fail, yes.

Mr. McCOLLUM. Do you have an opinion as to why those were unreliable? You have already talked to us a little bit about the lack of human intelligence, you talked to us about your criticisms of the CIA. Why?

Mr. SECORD. With respect to the CIA, since Vietnam and the Watergate period, the CIA human intelligence activities have been tremendously diminished and mismanaged, in my opinion, and in defense of the agency, they just haven't been able to until recently get the necessary support from the Chief Executive to rebuild the agency.

I believe Director Casey was in the process of rebuilding the agency, but it is a very difficult task, I am sure members of this committee know a lot more about that than I do.

Mr. McCOLLUM. You have implied since the Vietnam War that some of the reasons that it had to be rebuilt had to do with actions of the Congress, would it not, General?

Mr. SECORD. Yes, it did. And I would say with respect to the Defense Department, they are not free of guilt either, when I was in it and since I have been in it. The bureaucracy in the Pentagon, which is a fair bureaucracy institutionally, has a great deal of difficulty living with special operations troops and units, even though they don't cost very much.

That is not the issue. They just institutionally have a great deal of difficulty dealing with these elite forces. They want more conventional approaches. Most of the Generals are conventionalists, they are not unconventionalists, so you have that kind of bureaucratic resistance there, as well.

So, you have both in the Defense Department and in the CIA I think serious problems in these areas.

Mr. McCOLLUM. Well, now——

Mr. SECORD. They are being addressed.

Mr. McCOLLUM. General, you even described in response to one of my colleague's questions earlier today, to the rescue operation that was sort of going on parallel to the trip to Tehran, the one that was not working, DEA agents may have been involved.

You described that as a flakey operation. Is that a symptom of the same thing we are talking about?

Mr. SECORD. Yes, sir. It is. I think it is also an outgrowth of the same frustration that I mentioned earlier.

Mr. McCOLLUM. That a lot of people are frustrated; in other words, was Colonel North in your opinion a frustrated man in this regard?

Mr. SECORD. Yes, indeed.

Mr. McCOLLUM. Were other people like Admiral Poindexter and Robert McFarlane frustrated, in your opinion?

Mr. SECORD. Greatly.

Mr. McCOLLUM. Frustrated with the system, the fact that these agencies, these special operations forces were not really up to snuff to do the jobs that they would like for them to do, and the bureaucracy not there to drive them?

Mr. SECORD. I think Director Casey was frustrated with his own system.

Mr. McCOLLUM. You have testified about the opinion on human intelligence. I want to ask one specific question on that. Looking back at the Iran initiative, how did the quality of, quality of human intelligence and the specific lack of that intelligence affect this initiative that you were involved with?

Mr. SECORD. It adversely impacted on the operation greatly because there were very few Iranian specialists, as I have testified earlier, available. They had to recall one gentleman, the Director did, to active duty to act on the program.

They simply had not paid enough attention to Iran at the agency over the years since the revolution, and so they are tremendously short of qualified people. You have to have people, it takes years to become specialists in this area.

Mr. McCOLLUM. Considering that the Ghorbanifar channel for a moment in particular, on that point, did our lack of human intelligence capability cause or contribute, in your opinion, to our decision to use Ghorbanifar as the channel?

Mr. SECORD. Yes. It was the only channel available at the time. So the decision was again to use the only channel, even though we didn't like the channel.

Mr. McCOLLUM. I think my point is being made, General, that we did not have the capability to do the kind of conventional ordinary thing that the American people would have expected, which probably was to go out there and just rescue those hostages, not get involved with the kind of proceedings we were doing. At least that seems to be the impression I am getting from what I have observed so far, and your statements and responses to my questions are not inconsistent with that. Do you generally agree?

Mr. SECORD. Yes, sir, since the Defense Department created their antiterrorist team, they have rescued no hostages.

Mr. McCOLLUM. Why?

Mr. SECORD. We can't find them.

Mr. McCOLLUM. Because we don't have the intelligence to find them?

Mr. SECORD. That is right.

Mr. McCOLLUM. We have the men, the units and the organization.

Mr. SECORD. And they are the best way for this nation to respond to that kind of thing.

Mr. McCOLLUM. Is that one reason I think you have been supportive of having this new Assistant Secretary of Defense for Special Operations and so forth?

Mr. SECORD. Yes, sir.

Mr. McCOLLUM. General, I want to turn to something a little unrelated to that for a minute, if I can. A few minutes ago, you were questioned about the Boland amendment, and it seems to me the discussion about whether it was Swiss cheese or not, and you said—that is not exactly what you said, but the point is that the gentleman from Massachusetts, who authored this was very concerned, as he probably should be, about the interpretations or the difficulties of thought. In the process of it, there is a lot of discussion about whether if NSC was indeed covered by this and whether this was an interpretation. I know you are not a lawyer, and I won't ask you that kind of question.

I want to point something out to you, though. In 1981, in December, 1981, before we got to these Boland amendment laws that we passed in Congress that we have been discussing that were applicable to the period of time, in that particular month, 1981, the President issued an Executive Order Number 12333 which explicitly by its definition excluded the NSC from the definition of an intelligence agency.

That was done, that directive, that Executive Order was done in concurrence and consultation with Congress. That was on the record at the time this Congress passed the Boland amendment and each of the subsequent amendments. So it seems to me, while I am a lawyer, but I am not a judge, and I know the courts can interpret things all kinds of different ways, but it seems to me that it more than makes the point that there is plenty of room for interpretation, as you have suggested, in that regard.

But I am not saying all that just to try to put more fire out there with that issue, but I want to lay a predicate for a question relative to some of this, because there are some implications that came up yesterday that I think you need to respond to. I am concerned about them.

Yesterday there was some discussion in questions by counsel about documentary evidence that you or others in your enterprise may have at some time considered selling or leasing various assets, planes or ships, or whatever, that belonged to the enterprise, to the CIA at a marked-up price that would have yielded a substantial surplus, to put it in your terms, or profits, as some others have said, at any rate, to be sold at a cost greater than the cost that would have yielded that kind of cash to the enterprise.

Counsel may have only been doing this, as far as I know, in an effort to discredit you and your testimony in some way, which is a fair game situation here to try to bring out maybe you have a profit motive. But I read into that more than that. I read into that the possible implication that you and others might have conspired to violate the Boland amendment, and in doing so, what I am talking about is I read into that the implication that you might have been thinking with others, talking with others about selling goods and services to the CIA at a highly marked-up price with the intent to use the excess money or the profits to give military aid to the contras.

Now, the reason I am concerned about that, the reason that kind of question occurs to me to raise that implication is for the simple reason that no one here has got a very good grip on what the Boland amendment means except for the fact that it clearly prohibited the Central Intelligence Agency from providing any kind of funding or support from the resources of this government to the Contras during the time in question.

And if there is any real problem here, it is if indeed that you did take that money or intend to take that or—and Colonel North and others might have. So I want to ask you a very straightforward question about the question that is posed by, the implication there, because I don't want to leave it alone, I don't want you to not have a chance to answer it.

At any time did you discuss with Colonel North or anybody else the idea or the possibility of marking up the sale price, the lease price of any of the assets of your enterprise to sell or lease to the CIA for the purpose of getting money to help the Contras?

Mr. SECORD. No, sir. And I would like to point out that Congressman DeWine also yesterday read the relevant testimony which was not used by counsel.

Mr. MCCOLLUM. I think your point is well made, but I wanted to ask that question very explicitly because I saw that being raised yesterday, and I think it is a fundamental question.

Mr. SECORD. Thank you.

Mr. MCCOLLUM. I could have guessed your answer, but I didn't know it. I could have been wrong about that.

Mr. SECORD. Yes, sir.

Mr. MCCOLLUM. You testified at one point, General Secord, that when things began to unravel in this whole affair that the concern was so great on your part, and I think it was perhaps after Mr. Meese's press conference, that you demanded to see the President of the United States. In fact, I remember you saying when Ollie North was on the telephone with the President, you wanted to get hold of that phone and talk to him. You had never talked to the

President about all this that you have been involved with up to that time?

Mr. SECORD. That is correct, sir.

Mr. MCCOLLUM. I want to know something. Why hadn't you? Why hadn't you personally tried to talk to the President before that point in time about all of this that was going on?

Mr. SECORD. I was already talking to people whom I regarded as extremely high-level officials of the U.S. Government. I didn't think it proper to insist on seeing the President just to try to verify what his National Security Adviser is telling me or what his Director of Central Intelligence is saying or even for that matter what Oliver North is saying. They deal with the President. I would have thought it presumptuous. At my level, you don't deal with the President.

Mr. MCCOLLUM. If you had had any doubt about the President's personal knowledge of this whole matter, if you had any doubt that he authorized those with whom you did speak to and requested those things of you that they did, wouldn't you have tried to have seen him earlier than you did?

Mr. SECORD. If I had had any doubt, I would have, yes.

Mr. MCCOLLUM. So you didn't have any doubts?

Mr. SECORD. My doubts came only just before the Meese statement.

Mr. MCCOLLUM. Looking back now, have you ever thought that maybe the President didn't know and that perhaps you had the impression that he had, and it was given to you by some of the folks we are talking about, Admiral Poindexter, Colonel North, Director Casey, in part because they wanted you, they chose you for this and knowing that you were a good soldier and that you would accept the fact that they had that authority—has it occurred to you that that might indeed have been the case?

Mr. SECORD. It has occurred to me, of course, but I still don't believe it is the case.

Mr. MCCOLLUM. General Secord, you have been, as others have said, a most able witness in our own defense and in the defense of what you believed in. I have not presumed to judge you, and I certainly haven't, and I am not presuming to judge the final outcome of what our investigation is all about.

I do, however, see in this process that we are involved in that we have broad policy concerns that need to be addressed, that is what our committee has to resolve and get to, beyond just the facts that are out here. It is not our duty, as I said in my opening statement, I think a few others have concurred in that, I think everybody generally concurs in it, it is not our duty to see if any crimes were committed or to prosecute. That is up to the independent counsel to do.

From my standpoint, whatever the outcome of the next few days of hearings, few weeks of hearings are, as I deliberate on this, I am going to look back on your testimony for these four days in grateful appreciation that you came forward voluntarily and gave us the opportunity to learn a lot more about the recesses of your mind and about the operations so that we can have a predicate for the ongoing things that we have to decide.

I am very open minded at this point. I think it is too grave a matter to have a closed mind on about the pros, the cons, or the fault or what is to be done in the future.

I greatly appreciate it. I thank you. And I thank you, Mr. Chairman.

Chairman INOUYE. Mr. Secord, yesterday your counsel raised the question relating to attorney-client relationship. In order to clarify the record, I will now recognize Senator Mitchell.

Mr. MITCHELL. Thank you very much, Mr. Chairman.

As you will recall, Mr. Secord, Mr. Green, I yesterday, Mr. Secord, asked you to tell us what was said at a meeting between you, Colonel North and Mr. Green on November 25 when you met following Mr. Meese's public disclosure.

Other than characterizing it as a sad, hand-wringing meeting—I think those are the words you used—you refused to disclose what occurred on the advice of counsel, based on the attorney-client privilege.

When I pointed out that statements made by third persons to a client in the presence of that client's attorney were not subject to the privilege, Mr. Green added that at that time Colonel North was also his client.

And when I asked you, Mr. Green, to tell us when Colonel North retained you and when he dismissed you or terminated your employment, you said he had retained you in the previous week but you refused to respond further on the grounds that the answers to those questions were also within the privilege.

It is clear to me that they are not, and I understand that on reflection you now agree that the dates upon which Colonel North retained you and upon which your employment with him terminated are not subject to the privilege, and that you will provide this committee with that information, either now or at some subsequent time. Is that correct?

Mr. GREEN. I would like to amend that, if I may. I'm sorry, sir.

Chairman INOUYE. Yes.

Mr. GREEN. I would like to caveat that, if I may. I think a lawyer's obligations to his client are not only covered by the attorney-client privilege, but also by the canons of ethics, which cover the confidences and secrets of a client, and that they are applicable to this situation, as well.

What I am willing to do is to confer with Mr. North's present counsel to ascertain his position with respect to whether I am permitted to release that information and, if so permitted, I will certainly do so, sir.

Mr. MITCHELL. Let me say to you, Mr. Green, that I am convinced that there is no basis for your refusal to provide that information and I am convinced further that Mr. Secord could, without violating that privilege, provide considerably more information than he has about that meeting, and we will await your response.

But I want to assure you that we intend to obtain that information and I would encourage you to provide it to us voluntary.

Mr. Secord has made a much—made much of the voluntary nature of his testimony. He has made much of his candor. Indeed, he has used the word "candor" on several occasions. The very fact that he refuses to respond to questions regarding a meeting which may well be central to this inquiry raises questions about that.

I do not mean to suggest that claiming the privilege, when proper, in any way detracts from your voluntary appearance and your candor, but I would hope that we would be able to get that information so we may proceed. And we look forward to your response, Mr. Green.

Mr. **Green**. Thank you.

Chairman **Inouye**. Mr. Green, I believe the attorney-client relationship rule does not apply to your providing us with the date of your retention as counsel by Mr. North and the date of the termination of such relationship.

Could you give us those dates?

Mr. **Green**. Mr. Chairman, I respectfully decline to do that until I have had an opportunity to confer with Mr. North's counsel. And as soon as I have had that opportunity, I will report back immediately.

Mr. **Mitchell**. Mr. Chairman, may I ask one further question of General Secord.

Chairman **Inouye**. Please do.

Mr. **Mitchell**. General Secord, repeatedly for the past several days you have expressed the continuing nature of what you call the enterprise. Indeed, that has been the principal justification advanced by you for the accumulation of the so-called surplus or—it has been variously described here; that you intended it to continue; that you planned on further efforts in this area.

Is that a correct description of your statement in that regard?

Mr. **Secord**. Yes, sir.

Mr. **Mitchell**. Now——

Mr. **Cheney**. May I ask, are we in a second round now?

Mr. **Mitchell**. I have just one question, if I might.

Mr. **Cheney**. Mr. Chairman, reserving the right to object, Mr. Chairman, we should clarify the procedure. Certainly I won't object in this instance, but it seems to me—I don't have a question to ask, but under the ground rules—we should adhere to the ground rules.

Chairman **Inouye**. Is there any objection to permitting Senator Mitchell to ask one question?

Hearing none, so ordered.

Please proceed.

Mr. **Mitchell**. Following the disclosure of this matter publicly, several officials within the administration, up to and including the President, described it as an effort to reestablish relations with Iran, which required a good faith gesture by the United States, which good faith gesture was to be manifested by a one-time sale of a limited supply of arms to Iran.

Do I understand, based on what you have said, that anyone who said that was mistaken in so saying, at least insofar as you have described the operation as you understood it as the person principally involved?

Mr. **Secord**. It is mistaken and I think the record demonstrates that it is mistaken.

Mr. **Mitchell**. Thank you very much, General Secord.

Thank you very much, Mr. Chairman.

Mr. **Fascell**. Parliamentary inquiry.

Chairman **Inouye**. Please state it.

Mr. **Fascell**. Is it correct that this committee is bound in its investigation only by the Constitution and the Rules of the House? We are not bound by the rules of evidence that would apply in any court.

Chairman **Inouye**. We are not bound by the rules of evidence that apply in any court.

Mr. **Fascell**. Is it also true, therefore, that this committee has the right, if it wants to, to make a decision with respect to a claim of attorney-client privilege?

Chairman **Inouye**. We have that right, sir, according to the Rules of the Senate in this case.

Mr. **Fascell**. Well, hallelujah for the Senate.

Can the privilege be claimed whether the committee acts on it or not, by a counsel who is not a witness? Has that decision been made anywhere?

Chairman **Inouye**. In this case I would like to advise my dear friend that the day is late and I want to end this session on a rather friendly note, and although we would insist upon counsel divulging that information, I am taking his word that he will provide us with the——

Mr. **Fascell**. So am I, Mr. Chairman. Excuse me for interrupting. I was not in any means looking to drive this to the end of its logical conclusion with respect to a vote on this committee to force the action, because in the event of noncompliance that would be contempt. I do not want us to act on contempt. I think that would be an illusory and improper position for this committee to be in.

Chairman **Inouye**. I agree.

Mr. **Fascell**. So that was not the purpose of my question.

Chairman **Inouye**. Thank you, sir.

Mr. **Trible**. Mr. Chairman.

Chairman **Inouye**. Yes.

Mr. **Trible**. I would ask that exhibits 75 and 76 and 77 be made a part of the record. These are the documents that General Secord and I discussed earlier this afternoon.

Chairman **Inouye**. Without objection, so ordered.

[The documents marked exhibit Nos. 75 through 77 appear at p. 606.]

Mr. **Secord**. Mr. Chairman.

Chairman **Inouye**. Yes.

Mr. **Secord**. Are you preparing to conclude this session, sir?

Chairman **Inouye**. Yes.

Mr. **Secord**. If you are, I want to make just a brief remark.

Chairman **Inouye**. Not quite. Not quite. So sorry, sir.

Mr. Secord, in behalf of the committee I would like to commend you and to thank you for appearing before us voluntarily and subjecting yourself to four stressful days of intensive and vigorous questioning.

However, I have been sitting through these four stressful days also, and waiting for my turn to ask a few questions.

I realize that most of the questions that should be asked have been asked, and the questions I have are not big questions but little ones that I think may be necessary to help the people of the United States understand what this is all about.

You and I may have an understanding of these words, but I doubt if too many people really understand the import of some of these words.

For example, Swiss accounts—we spent much time talking about Swiss accounts. You have a Swiss account, haven't you, sir?

Mr. SECORD. No, sir, I do not. Mr. Hakim does.

Chairman INOUYE. But you do have control, either directly or indirectly, over a Swiss account?

Mr. SECORD. I exercise control indirectly through Mr. Hakim.

Chairman INOUYE. Do you have any other accounts where you have direct or indirect control over its assets?

Mr. SECORD. No, sir. Only those accounts I submitted to you in writing today.

Chairman INOUYE. What is a Swiss account?

Mr. SECORD. It is an ordinary bank account under the laws of Switzerland.

Chairman INOUYE. You see, the folks outside the Beltway are asking, why don't they make the deposit in Perpetual or Riggs or Maryland National, why in Geneva or Zurich?

Is it true that when you make a deposit in Switzerland, you have to pay a fee?

Mr. SECORD. I am not aware of that, Mr. Chairman. It is possible they charge a fee. I know they charge a lot of fees.

Chairman INOUYE. The banks around here if you make a deposit even if for a checking account would pay you interest, isn't that correct?

Mr. SECORD. Yes, sir.

Chairman INOUYE. Do these Swiss banks pay interest?

Mr. SECORD. I don't think that the checking accounts do. They have other accounts that are interest-bearing.

Chairman INOUYE. Does your account receive any interest?

Mr. SECORD. Hakim managed the funds in such a way as to try to draw interest when he could. That is reflected in the record.

Chairman INOUYE. Did Mr. Hakim have to pay a fee?

Mr. SECORD. Yes. He paid a lot of fees. I think they are required.

Chairman INOUYE. Why open a Swiss account? You don't make any money on it?

Mr. SECORD. In order to maintain secrecy under Swiss law.

Chairman INOUYE. Oh, you don't want others to know that you have an account?

Mr. SECORD. That is right.

Chairman INOUYE. What sort of people make those deposits?

Mr. SECORD. Well, I think a lot of different kinds of people do it for different reasons. We were doing it, sir, to try to maintain secrecy.

Chairman INOUYE. Do you believe that the activities revolving around the enterprise is so secret that it has to be kept in Geneva instead of in Washington, DC?

Mr. SECORD. Looking back at it, I think we could have done it here just as well, but we didn't.

Chairman INOUYE. Why don't you bring it back here?

Mr. SECORD. It is frozen. We are trying to bring it back. I am going to try to bring it back.

Chairman INOUYE. This morning in response to my colleague's inquiry, you indicated that you have a plan to contribute the surplus to the William Casey Foundation. By that, are you advising us that you have title over the assets.

Mr. SECORD. No, sir. What I am saying is that I am going to consult with Mr. Hakim and the various counsels concerned, including Government counsels, and when the lawyers finish debating the future of these accounts, then I am going to try to persuade Mr. Hakim to join me after the obligations are met in making the donation.

Chairman INOUYE. That is why I find it rather strange because up until now for the last four days you have been telling us that all you had to do was tell Albert Hakim to spend so much for this purpose or that purpose and he never objected, but now when I find that it involves payment of taxes or contributions to a charitable organization, you have to confer with counsel or Mr. Hakim. What is the difference?

Mr. SECORD. I think you know that during the period of the operation there was no special prosecutor chasing us. We have to be careful to make sure that everything is done properly.

I have no grant of immunity from the special prosecutor and I don't think Mr. Hakim does. I have to follow the advice of my counsel and I think he is following his counsel's advice. I will do everything I can to bring this matter to a conclusion quickly.

Chairman INOUYE. On January 17th, you met with several people and I think the record shows a list of those, Oliver North, with general counsel Sporkin, Mr. George, Commander Thompson, and others, and I believe you told us that you met in the White House situation room?

Mr. SECORD. Yes, sir.

Chairman INOUYE. I doubt if too many of us have been in the White House situation room. What sort of room is this?

Mr. SECORD. This is not a very big room. It is not a very impressive room. It is just a small conference room with one table in it and perhaps 15 chairs or so.

Chairman INOUYE. Where is it located?

Mr. SECORD. It is located in the West Wing of the White House right next to the National Security Advisor's suite.

Chairman INOUYE. Is it underground?

Mr. SECORD. No, it is often referred to as being the basement, but it is not underground. You walk in at ground level and go down one or two steps and you are in there.

Chairman INOUYE. Is it part of the tourist travel?

Mr. SECORD. No, sir. They have no tourists there.

Chairman INOUYE. This is sanctum sanctorum, isn't it?

Mr. SECORD. I think it is sometimes because very sensitive meetings are held there.

Chairman INOUYE. Can anyone go in there?

Mr. SECORD. No, sir.

Chairman INOUYE. Would you say that in order to go into that room one must have presidential approval?

Mr. SECORD. I can't say that, Senator. I would say that you have to have approval of officials in the NSC.

Chairman INOUYE. Or approval from the agents of the President?

Mr. SECORD. That is correct.

Chairman INOUYE. Now, on that day you testified that among other things you discussed—not you, but people there, discussed methods by which to conceal certain activities from the Congress, isn't that correct?

Mr. SECORD. I said that the discussion which took place around the heart of the order which prevented—not prevented, but which ordered no notification of the Congress was a discussion among CIA people and it had to do with some precedent that one of the lawyers was addressing, and it wasn't at all clear to me exactly where they were coming from on this.

As I testified, I really wasn't familiar with the Hughes-Ryan requirements at that time.

Chairman INOUYE. I am certain that in this small room where you could hear everything said——

Mr. SECORD. I think I heard most everything that was said.

Chairman INOUYE. What were they saying?

Mr. SECORD. I can't remember exactly. I cannot remember exactly. There was a conversation, a general conversation about the notification of Congress requirement.

Chairman INOUYE. Did the conversation suggest that the participants there had any intention to notify the Congress?

Mr. SECORD. Not in the near-term. The conversation was about why they were not notifying the Congress and some sort of precedent, which I must say I didn't understand.

Chairman INOUYE. When did they plan to notify the Congress?

Mr. SECORD. It was not stated. I don't think they planned to notify the Congress until the operation was over, if you want my opinion, but they didn't state it.

Chairman INOUYE. In other words, if someone in Iran had not blown the cover, we would still not know?

Mr. SECORD. I can't speculate on that, sir. I don't know.

Chairman INOUYE. You also discussed the—in response to one of the questions, you said there is no question that the covert operation that you are talking about, the Iran covert operation, was designed to be concealed from Congress, and then in response to one of the questions posed this afternoon, you somehow concurred that Congress could not be trusted because of leaks, et cetera; is that correct?

Mr. SECORD. I concurred that from what I know, there have been a lot of leaks not only from Congress but from elsewhere with respect to covert operations and that was one of their concerns, probably their only concern.

But I think I said in earlier testimony, sir, that I have no problem. Now that I have become an expert per force on this Hughes-Ryan reporting, I have no problem with the statute as it stands. I believe that the President would be well advised legally and politically to consult on various sensitive matters that he is afraid of leaks on with the officers of Congress that are called for in the statutes directly and make it a partnership.

Chairman INOUYE. And yet at that time, when you and your associates there were not only reluctant, but conspiring to conceal this from the Congress, you were willing and eager to share this information with Mr. Ghorbanifar, isn't that correct?

Mr. SECORD. I can't describe it that way, sir.

Chairman INOUYE. Was Mr. Ghorbanifar privy to information——

Mr. SECORD. Yes, he was and I testified earlier that that was another real problem.

Chairman INOUYE. And you described him as being deceptive.

Mr. SECORD. Yes, sir.

Chairman INOUYE. Untrustworthy and unreliable?

Mr. SECORD. Yes, sir, but it wasn't my decision. I had nothing to do with the decision not to notify Congress. I didn't know the legal requirements.

Chairman INOUYE. Why were you at the meeting?

Mr. SECORD. I testified that I thought it peculiar that I was at the meeting until the end when they started to make it clear that I was to be introduced to the CIA officials and what my role was.

Chairman INOUYE. Wasn't it obvious to you at that point as sophisticated as you are and knowledgeable of covert activity and intelligence gathering that you were being employed to be a cover?

Mr. SECORD. I have testified that I was being employed to be a cover, yes, I have testified to that.

Chairman INOUYE. You did not object to that?

Mr. SECORD. No, sir, but I didn't know the legal reporting requirements at that time.

Chairman INOUYE. You also stated that knowing the political situation of this day, you think that notification was politically proper. What do you mean by that?

Mr. SECORD. Well, I think that was in the context of a question I have asked about whether or not the statutes ought to be altered with respect to covert operations. I believe that was the context of it. My testimony was, if I recall correctly, that I don't have a problem with the law as it stands that given the nature of our society today, the concerns that have been brought to the American people about abuses of—in CIA and elsewhere, that from a political point of view—and I am not trying to teach anybody here about politics, please don't think I am being presumptive—it is just my opinion that kind of law is absolutely required in today's environment, and I have no problem with it.

Chairman INOUYE. If the environment changed and the political situation changed, then notification is not necessary, is that correct?

Mr. SECORD. No. I am saying this is where we are today. It would be more desirable from the point of view of the Chief Executive to have more power in this regard, but I don't see it today or in the future. I say that the Chief Executive has to work out a way to coordinate with you gentlemen or he is not going to be able to hack it. That is clear.

Chairman INOUYE. You testified that your name appeared on an account in Switzerland and it was a forgery, is that correct?

Mr. SECORD. I don't say that. I said that if my name appeared on such an account, it would be a forgery, because I never signed anything for a bank account.

Chairman INOUYE. Referring to this document that Senator Trible just submitted, the one with the file WRVS dated July 4, 1986, do you have it before you?

Mr. SECORD. Yes sir.

Chairman INOUYE. This is on the last page, the handwritten page. The last line—it says, I believe John Deere Esquire or equipment, complete plans, and then it says attack Philippines?

Mr. SECORD. Well, I don't know what he meant by that, but I think he meant attacking the market, but I don't know who John Deer Esquire is. This is a paper written by business consultants and they were all over the area.

Chairman INOUYE. This is written by our trusted attorney, isn't it?

Mr. SECORD. I don't know if this is his handwriting or not. It could be.

Chairman INOUYE. Well, you weren't planning to attack the Philippines were you?

Mr. SECORD. No sir. I am not planning on attacking anything.

Chairman INOUYE. I wanted the record to be clear, touching up the few loose ends around here.

Mr. SECORD. I don't need the building, sir.

Chairman INOUYE. This morning you submitted a list of bank accounts, and I have just added them up—I think it comes out to $5,000 on this date, May the 8th, plus 95 pounds sterling—I suppose that is what, $250?

Mr. SECORD. Approximately, I suppose—$200.

Chairman INOUYE. The largest account is a checking account of $1,800. Would you say that if you were required to submit a list—a similar list ten days ago it would have been something like this?

Mr. SECORD. Well, it would have been a little higher, but not much. Some bills have been paid. Normally monthly bills in that period, but approximately that level.

Chairman INOUYE. What sort of mortgage do you have?

Mr. SECORD. I have a first mortgage and a second mortgage.

Chairman INOUYE. I am asking this because I find it mind-boggling—we have testimony showing that you have either direct or indirect control of $8 million. You are director or president of a few corporations. And if you look at this bank account, it is one of someone in poverty. How do you pay for your utilities, your food?

Mr. SECORD. With my monthly salary that is coming in and my bank accounts have been progressively diminishing in recent months. I have testified that my personal financial situation is precarious.

Chairman INOUYE. Is it true that you have several parcels of real estate in Florida and elsewhere?

Mr. SECORD. No. I have one house in Florida which is a rental house I have had since 1978, and I have a couple of town houses that were bought in the Virginia area here around Washington, one I own a half interest in and another one that is—two others that are rented. That those houses—the total equity in these houses if you add them up—and I will be glad to go through this with your counsel if you want—in fact, I have been asked for a financial statement and I will have to prepare one.

We are not talking about very much money. They were bought for very little down, so there is only a few thousand equity in any house except the one I bought in Florida in 1978. I have rented it subsequently since then, and would estimate the equity in that house to be $25,000.

Chairman Inouye. Do you have any other accounts held in the name of your companies?

Mr. Secord. Yes, and I have those records.

Chairman Inouye. Can you tell us in round figures what the assets constitute?

Mr. Secord. Well not a lot of money, Senator. I can estimate that off the top of my head. It is not a lot of money.

Chairman Inouye. Throughout these four days questions have been asked on your involvement with this Mr. Wilson, and apparently he had some operations there. what sort of interest did you have in that company, or with Mr. Wilson?

Mr. Secord. I had none and I was investigated by Justice for over two and a half years on this subject. There was no connection.

Chairman Inouye. Not even a hidden interest?

Mr. Secord. Not even a hidden interest.

Chairman Inouye. And finally, sir, is it our testimony that you did not receive any information from Mr. North advising you that the activities you were involved in were at the request of the President of the United States?

Mr. Secord. Did I not receive any information from him?

Chairman Inouye. Or did he tell you that the work you were doing was at the request of the President of the United States?

Mr. Secord. He told me that the work I was doing had been informed to the President and I was asked by his boss, Admiral Poindexter, to get involved. I was not asked by the President.

Chairman Inouye. And his boss, Admiral Poindexter told you that the President wanted you to do the job?

Mr. Secord. He said the President knew of my former work and he, Poindexter, was asking me to do the job. He did not invoke the name of the President that I recall in that regard.

Chairman Inouye. Did Colonel North invoke the name of the President of the United States?

Mr. Secord. No.

Chairman Inouye. And yet you assumed that was the President's wish?

Mr. Secord. Yes sir. Through his agents.

Chairman Inouye. What led you to that conclusion?

Mr. Secord. Admiral Poindexter, the National Security Adviser, asked me if I would participate.

Chairman Inouye. And you would trust him?

Mr. Secord. Yes sir.

Chairman Inouye. What did Mr. McFarlane tell you?

Mr. Secord. Mr. McFarlane's involvement with me was limited to December of 1985 and then again in May on the Teheran trip. He did not tell me that the President had asked me to do this.

Chairman Inouye. Well, we have come to the end of a long, long day. I would wish I could just dismiss you, but according to counsel and several of the members, they would like to have me advise you that the subpoena will be operative, that we may find it necessary to call you again, call upon you for additional questions.

So, General Secord, with the gratitude of this committee, I wish to tell you that you are excused, but please be prepared if it becomes necessary to once again appear before this committee.

Mr. SECORD. I will be happy to appear again, Senator, when you call.

If I could make just one short remark.

Chairman INOUYE. Please do.

Mr. SECORD. This has not been an easy task for me and I may have occasionally raised my blood pressure a little bit under cross examination, but I answered your questions in good spirit and I understand the need of the committee to dig in as deep as you can and get to the facts and therefore, I have tried to sit here these four days and answer your questions to the best of my ability.

I didn't expect it to be a rose garden, but I volunteered. I have attempted to be accurate and truthful to the best of my knowledge. What I did I testified to, and what I saw, I testified to. If criticism is in order, I will accept it. If others believe I am deserving of credit, I will accept that, too.

I also accept full responsibility for my operations and conduct. I hope you will consider this fact as your inquiry continues and as you question those men whose only sin, if any, was to follow me into those undertakings.

And I thank you for your cooperation, sir.

Chairman INOUYE. Chairman Hamilton.

Chairman HAMILTON. Let me say, Mr. Chairman, on behalf of my colleagues in the House, we appreciate your presiding this week in an exemplary fashion, and we invite you to the House side for continuation of these hearings.

Chairman INOUYE. It is my pleasure to call the hearing to recess. We will reconvene at 10 o'clock a.m., in room 2172, Rayburn House Office Building, the hearing room of the Foreign Affairs Committee.

[Whereupon, at 5:20 p.m, the committee was recessed, to reconvene on Monday, May 11, 1987, at 10 a.m., in room 2172, Rayburn House Office Building.]

APPENDIX

PREPARED STATEMENTS

THE OPENING STATEMENT OF
THE HONORABLE DANIEL K. INOUYE
BEFORE THE JOINT CONGRESSIONAL HEARINGS ON IRAN/CONTRAS
TUESDAY, MAY 5, 1987

TWO HUNDRED YEARS AGO THE FRAMERS OF OUR CONSTITUTION PROVIDED FOR A MORE PERFECT UNION BY ESTABLISHING A STRONG NATIONAL GOVERNMENT BUILT ON A SYSTEM OF CHECKS AND BALANCES. THE FOUNDING FATHERS DID NOT BELIEVE THAT EFFECTIVE GOVERNMENT AND CHECKS AND BALANCES WERE INCONSISTENT. ON THE CONTRARY, IT WAS THEIR PREMISE THAT NO BRANCH HAD SUCH A MONOPOLY ON TRUTH THAT IT SHOULD BE FREE TO ACT WITH TOTAL INDEPENDENCE.

THE UNIQUE GENIUS OF THE AMERICAN SYSTEM WAS THAT BY DIVIDING POWER IT PROMOTED SOUND POLICY BASED ON REASONED AND OPEN DISCOURSE, AND MUTUAL TRUST BETWEEN THE BRANCHES.

THESE HEARINGS WILL EXAMINE WHAT HAPPENS WHEN THE TRUST WHICH IS THE LUBRICANT OF OUR SYSTEM IS BREACHED BY HIGH OFFICIALS IN THE GOVERNMENT.

THE STORY IS NOT A PRETTY ONE. AS IT UNFOLDS IN THESE PROCEEDINGS, THE AMERICAN PEOPLE WILL HAVE EVERY RIGHT TO ASK: HOW COULD THIS HAVE HAPPENED HERE? AND AS WE ANSWER THAT QUESTION, THE AMERICAN PEOPLE WILL HAVE EVERY RIGHT TO DEMAND THAT IT NEVER HAPPENS AGAIN.

INDEED, IT NEVER SHOULD HAVE HAPPENED AT ALL. THE CONSTITUTIONALLY-MANDATED RELATIONSHIP BETWEEN THE EXECUTIVE AND LEGISLATIVE BRANCHES OF THIS NATION HAS STOOD THE TEST OF TIME.

IT HAS SURVIVED THE SHOCK OF CIVIL WAR, OUTLASTED THE MIGHTIEST MONARCHIES AND DICTATORSHIPS, AND SEEN US SUCCESSFULLY THROUGH THE TURBULENCE OF WORLD WARS. THERE IS NO REASON THIS SAME CAREFULLY-CALIBRATED SYSTEM COULD NOT HAVE GUIDED US THROUGH THE DIFFICULT CHOICES WE FACE IN CENTRAL AMERICA AND IRAN.

THE FORMULATION OF AMERICAN FOREIGN POLICY HAS ALWAYS BEEN A MATTER OF DISCOURSE BETWEEN THE PRESIDENT AND CONGRESS. WITHOUT DETRACTING FROM THEIR OWN PRIMARY RESPONSIBILITY, PRESIDENTS HAVE UNDERSTOOD THAT CONGRESS HAS AN INDISPENSABLE ROLE IN FOREIGN POLICY. WE MUST RATIFY THE TREATIES, CONFIRM THE MAJOR FOREIGN POLICY OFFICIALS, AUTHORIZE AND APPROPRIATE THE FUNDS, AND EXERCISE THE OVERSIGHT. BIPARTISANSHIP IN THE EXECUTION OF FOREIGN POLICY REQUIRES PRIOR CONSULTATION IN THE DEVELOPMENT OF FOREIGN POLICY.

IN SHORT, IT IS A WORKING PARTNERSHIP. THE PRESIDENT MAY BE THE SENIOR PARTNER IN FOREIGN POLICY, BUT HE IS NOT THE SOLE PROPRIETOR.

INDEED, THIS FACT WAS SEEMINGLY RECOGNIZED BY THIS ADMINISTRATION WITHOUT RESERVATION. IN 1984, THE ADMINISTRATION PLEDGED ITS COMPLETE COOPERATION WITH CONGRESS. IT ENTERED INTO AN UNAMBIGUOUS AGREEMENT WITH THE SENATE INTELLIGENCE COMMITTEE PROMISING ADVANCE NOTIFICATION OF ANTICIPATED COVERT ACTIVITIES. AS RECENTLY AS THE SUMMER OF 1986, THE DIRECTOR OF CENTRAL INTELLIGENCE REAFFIRMED THIS AGREEMENT AND LAUDED THE SUCCESSFUL PARTNERSHIP THAT HAD DEVELOPED BETWEEN THE EXECUTIVE AND THE INTELLIGENCE COMMITTEE.

BUT AT THE VERY MOMENT THESE PROMISES OF COOPERATION, NOTIFICATION, AND PARTNERSHIP WERE BEING MADE AND REAFFIRMED--- THE SECRET CHAIN OF EVENTS WHICH WOULD EXPLODE IN THE IRAN/CONTRA AFFAIR WAS WELL IN MOTION.

THE STORY IS ONE, NOT OF COVERT ACTIVITY ALONE, BUT, OF COVERT FOREIGN POLICY. NOT SECRET DIPLOMACY, WHICH CONGRESS HAS ALWAYS ACCEPTED, BUT SECRET POLICY MAKING, WHICH THE CONSTITUTION HAS ALWAYS REJECTED. IT IS A TALE OF WORKING OUTSIDE THE SYSTEM AND OF UTILIZING IRREGULAR CHANNELS AND PRIVATE PARTIES--ACCOUNTABLE TO NO ONE--ON MATTERS OF NATIONAL SECURITY, WHILE IGNORING THE CONGRESS AND EVEN THE TRADITIONAL AGENCIES OF EXECUTIVE FOREIGN POLICYMAKING.

THE STORY IS BOTH SAD AND SORDID. IT IS FILLED WITH INCONSISTENCIES AND OFTEN UNEXPLAINABLE CONDUCT. NONE OF THE PARTICIPANTS EMERGES UNBLEMISHED. PEOPLE OF GREAT CHARACTER AND ABILITY, HOLDING POSITIONS OF TRUST AND AUTHORITY IN OUR GOVERNMENT, WERE DRAWN INTO A WEB OF DECEPTION AND DESPAIR.

CONGRESS, TOO, IS NOT IMMUNE FROM SCRUTINY IN THESE HEARINGS. WE CANNOT AVOID ASKING WHETHER APPROPRIATIONS BILLS WHICH CHANGED FROM YEAR TO YEAR--AND SOMETIMES WITHIN THE SAME YEAR--WERE AN EFFECTIVE WAY OF CONTROLLING FOREIGN POLICY. NOR CAN WE AVOID ASKING WHETHER WE WERE VIGILANT ENOUGH IN CARRYING OUT OUR OVERSIGHT FUNCTION.

LET IT BE CLEAR, HOWEVER, THAT OUR CONCERN IN THIS INQUIRY IS NOT WITH THE MERITS OF ANY PARTICULAR POLICY, BUT WITH FLAWED POLICYMAKING PROCESSES. OUR HEARINGS ARE NEITHER PRO-

CONTRA NOR ANTI-CONTRA; NEITHER PRO-ADMINISTRATION NOR ANTI-ADMINISTRATION. WE ARE NOT PROSECUTORS. AND THIS IS NOT AN ADVERSARIAL PROCEEDING. WE MEET HERE AS AMERICAN CITIZENS UNITED IN A COMMON EFFORT TO FIND THE FACTS LEST WE REPEAT THE MISTAKES. OUR PURPOSE IS SELF-EXAMINATION, NOT RECRIMINATION.

TO THIS END, WE WILL DEAL WITH QUESTIONS OF THE GREATEST SENSITIVITY TO OUR NATIONAL SECURITY--QUESTIONS WE ADDRESS PRECISELY BECAUSE WE IN CONGRESS DO RECOGNIZE THE PARAMOUNT IMPORTANCE OF FOREIGN POLICY. AND SO WE WILL CONSIDER IN THESE HEARINGS THE FOLLOWING QUESTIONS:

1. WERE THE STATUTORY RESTRICTIONS ON U.S. AID TO THE CONTRAS VIOLATED?

2. WAS CONGRESS MISLED?

3. WERE THE EXECUTIVE BRANCH'S OWN INTERNAL CHECKS AND BALANCES BYPASSED IN POLICY DECISIONS ON NICARAGUA AND IRAN?

4. WAS THERE A PUBLIC FOREIGN POLICY, AND SIMULTANEOUSLY, WAS THERE A VERY DIFFERENT, COVERT FOREIGN POLICY?

5. WAS AMERICAN FOREIGN POLICY PRIVATIZED? AND,

6. WERE DECISIONS ON THE MOST SIGNIFICANT MATTERS OF NATIONAL SECURITY DRIVEN OR INFLUENCED BY PRIVATE PROFIT MOTIVES?

WE DO NOT DEAL HERE WITH SIMPLE DISAGREEMENTS OVER THE DIRECTION OF U.S. FOREIGN POLICY, OR WITH THE CREATIVE TENSIONS BETWEEN THE BRANCHES OF GOVERNMENT. THOSE ARE NORMAL AND HEALTHY, AND THEY DO NOT END IN SHREDDING OF DOCUMENTS. ONLY A

CONTEMPT FOR LAW LEADS TO ALTERED DOCUMENTS AND PERJURED STATEMENTS.

BY ELICITING AND EXAMINING THE ENTIRE STORY, WE BELIEVE OUR NATION WILL EMERGE STRONGER, FOR WE ALSO BELIEVE THAT SUNLIGHT IS THE BEST DISINFECTANT. OUR COUNTRY IS NOT DIVIDED OR DISSPIRITED. THESE HEARINGS DO NOT REPRESENT OUR DEMOCRACY'S WEAKNESS, BUT ITS STRENGTH.

THIS STRENGTH AND UNITY OF PURPOSE ARE REFLECTED IN THE DECISION OF OUR TWO COMMITTEES TO CONDUCT THESE HEARINGS JOINTLY. THIS WAS AN HISTORIC DECISION, INSURING THAT THE PUBLIC INTEREST WOULD PREVAIL OVER ANY PAROCHIAL INTERESTS, AND THAT THE FULL STORY WOULD BE PRESENTED TO THE PUBLIC EXPEDITIOUSLY AND FAIRLY. THIS OUTCOME WOULD NOT HAVE BEEN POSSIBLE WITHOUT THE COOPERATION AND STATESMANSHIP OF MY COLLEAGUES ON THE HOUSE COMMITTEE, AND THEIR DISTINGUISHED LEADERS, CONGRESSMEN LEE HAMILTON AND RICHARD CHENEY.

ANOTHER HISTORIC FEATURE OF THIS INQUIRY IS THE BIPARTISAN SPIRIT THAT HAS GUIDED OUR EFFORTS. OUR SENATE COMMITTEE HAS A UNIFIED STAFF WHOSE MEMBERS REPORT TO THE COMMITTEE AS A WHOLE, NOT TO DEMOCRATS OR TO REPUBLICANS. THE SENATE SELECT COMMITTEE HAS BEEN BLESSED WITH A STAFF OF EXTRAORDINARY TALENT, AND DEDICATION TO MATCH. WHEN THE HISTORY OF THIS PERIOD IS WRITTEN, I AM CERTAIN ITS FOOTNOTES WILL AMPLY RECOGNIZE THE INDISPENSABLE CONTRIBUTIONS OF THE STAFF WHICH WAS ABLY GUIDED BY THE CHIEF COUNSEL ARTHUR LIMAN. THE USUAL

SUPERLATIVES CANNOT DESCRIBE THIS MAN'S CONTRIBUTION TO THIS COMMITTEE.

MY SENIOR REPUBLICAN COLLEAGUE ON THIS PANEL, WARREN RUDMAN, IS THE COMMITTEE'S VICE CHAIRMAN AND MY EQUAL PARTNER IN THIS INQUIRY. HE AND I HAVE WORKED CLOSELY TOGETHER, CONSULTING ON EVERY ISSUE, REACHING JOINT DECISIONS ON EVERY QUESTION, DRIVING ALWAYS TOWARDS THE SAME OBJECTIVE. I APPLAUD HIS LEADERSHIP; I VALUE HIS WISDOM AND COUNSEL.

SO, TOO, DO I ACKNOWLEDGE THE GREAT CONTRIBUTIONS OF EVERY MEMBER OF OUR COMMITTEE. EACH SENATOR HAS SPENT MANY HOURS PREPARING FOR THESE HEARINGS, REVIEWING MOUNTAINS OF EVIDENCE, POURING OVER THE TRANSCRIPTS AND DOCUMENTS ON BUSY WEEKDAYS, WEEKNIGHTS, AND WEEKENDS. NOT ONE HAS RAISED A POLITICAL ISSUE, IN PRIVATE OR IN PUBLIC. NOT ONE HAS SOUGHT TO TURN THIS MATTER TO PARTISAN OR PERSONAL ADVANTAGE. ALL OF OUR COMMITTEE VOTES--ON EVEN THE MOST SENSITIVE AND POTENTIALLY DIVISIVE QUESTIONS--HAVE BEEN UNANIMOUS.

THIS BIPARTISAN SPIRIT HAS BEEN MATCHED ON THE OTHER SIDE OF PENNSYLVANIA AVENUE. THE WHITE HOUSE HAS BEEN COOPERATIVE. EXECUTIVE PRIVILEGE HAS NOT BEEN ASSERTED. AND EVEN THE PRESIDENT'S PERSONAL DIARIES HAVE BEEN SHARED WITH US. THE EXECUTIVE DEPARTMENTS HAVE LIKEWISE RESPONDED TO OUR REQUESTS. NONE OF THIS IS TO SAY THAT WE AND THE EXECUTIVE AGENCIES HAVE AGREED ON EVERY MATTER. WE HAVE HAD OUR DISAGREEMENTS. BUT THEY HAVE BEEN MINOR, AND ALWAYS IN GOOD FAITH. AND IT HAS WORKED.

IT IS TRULY SAD THAT SUCH INTER-BRANCH COOPERATION AND TRUST COULD NOT HAVE BEEN THE RULE BEFORE. IF IT HAD, WE WOULD NOT BE HERE TODAY.

INDEED, WE MUST ASK WHY THE BIPARTISANSHIP THAT HAS MARKED THIS EXAMINATION OF OUR FOREIGN POLICYMAKING PROCESS COULD NOT BE EXTENDED TO THE MAKING OF OUR FOREIGN POLICY IN THE FUTURE. SOME OF US BELIEVE THAT IT CAN. ALL OF US HOPE THAT IT WILL. BUT FIRST, WE MUST CLEAR THE AIR, AND LET THE FACTS OF THIS UNFORTUNATE AND SAD AFFAIR EMERGE.

TO THIS END, I CALL THESE HEARINGS TO ORDER.

LEE H. HAMILTON, INDIANA, CHAIRMAN
DANTE B. FASCELL, FLORIDA, VICE CHAIRMAN
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JOHN W. NIELDS, JR., CHIEF COUNSEL
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GEORGE VAN CLEVE, DEPUTY MINORITY COUNSEL

OPENING STATEMENT OF HON. LEE H. HAMILTON

A Hoosier constituent of mine recently asked: "Why is the Congress spending so much time on the Iran/Contra affair when there are so many other important things to do?

That question is appropriately addressed as we begin.

The short answer is that we hold these hearings because in the course of the conduct of the government's business something went wrong - seriously wrong. If something goes wrong in our system, we want to bring it out into the open, examine it, learn from it, and, if possible, correct it. Congressional oversight is an integral part of this constitutional process in our democracy, and that is why we are here. At the heart of what we do in these hearings is the proper working of our system of government.

Let me address several questions:

First, what went wrong?

Our answer to that question today must be tentative, not final. But after 4 months of investigation, the examination of 100,000 documents and the interview of hundreds of witnesses by the Committees, we can begin to address that question.

These hearings will show, I believe, that many things went wrong.

Significant foreign policy decisions -- on Iran, terrorism and Nicaragua -- were made in secret. For months, some individuals in and out of government went to great lengths to conceal activities from the Congress, from the appropriate officials in the executive branch, and from the American people. This excessive secrecy led policy astray. A small number of officials made policy outside the democratic process.

Secret policies, different from stated policies, cast doubt on our political process and our credibility in the eyes of Americans and friends and allies around the world. Some officials apparently did not understand how our democracy works. Their conduct demonstrated a fundamental distrust and disrespect for democratic principles and the orderly process of a constitutional government.

Apparently:

-- We had one policy in public, and another policy in private;

-- We said one thing to our friends and allies, and did another;

-- Where the law required notice to Congress, efforts were made to circumvent the law;

-- When Congress inquired, it was not always told the truth;

-- Where Congress prohibited the involvement of government agencies, private individuals and enterprises were recruited and directed by government officials to perform prohibited activities;

-- Where complex decisions should have involved the expertise of many persons within the government, a few officials relied on outsiders, and even foreigners, to formulate and execute policy;

-- High officials did not ask the questions they should have asked.

-- Activites were undertaken without authority.

-- Checks and balances were ignored.

-- Important meetings occurred without adequate preparation.

-- Established procedures were circumvented.

-- Accurate records were not kept.

-- Legal questions were not addressed.

Second, what should you look for in these hearings?

These hearings will have three phases.

In phase I, we will examine the policy of support for the contras. Reasonable people may differ about the wisdom of this policy, and our hearings will not address the merits of the issue.

Our concern here begins in 1984, when Congress and the President enacted the Boland amendment. This law prohibited any agency engaged in intelligence activities from spending money in direct or indirect support of the contras. These hearings will be devoted to finding out what was done during the period the Boland Amendment was in effect to supply the contras. By whom was it done and at whose direction? What funds were raised, who raised them, where did they come from, and how were they spent? What was the involvement of high officials and what did they know about the contra supply operation?

In Phase II we will examine the series of secret arms sales to Iran. We will try to find out how this policy began, why it continued, how it became an exchange of arms for hostages, and what happened to the proceeds from the sales. We will want to know who was involved, what they did, at whose direction they acted and whom they kept informed.

In Phase III we will try to assess responsibility. Who was responsible for devising these policies and supervising their execution? Did high officials abdicate responsibilities? Were high officials misinformed or misled? What was the extent of the President's knowledge and involvement?

Finally, what do we hope to achieve in these hearings?

We are here to investigate and inform, not to prosecute. We will follow the facts where they lead.

We do not seek radical change. We seek to restore established and constitutional ways of doing the nation's business. We seek to show that these misdeeds are not the way we do business in this country.

These joint hearings are a part, and only a part, of the process of discovering the truth about these events. Others have investigated and we build upon their work. As we have better understood these events, changes have already been made in the way we conduct our nation's business. More changes will be made. Our constitutional process is working and the purpose of these hearings is to contribute to the self-cleansing process of our democracy.

We have no desire to prolong these hearings. We too want to get back to work on the other important matters on the Congressional agenda. But we do have a constitutional responsibility to fulfill. We want to carry it out carefully, fairly, and faithfully.

Our system of government is effective only if it enjoys respect and trust. This inquiry will achieve its purpose if it can contribute to rebuilding that respect and trust.

OPENING STATEMENT OF
SENATOR WARREN RUDMAN
ON THE
IRAN-CONTRA HEARINGS

Today the House and Senate Select Committees begin public hearings on the Iran arms initiative and the diversion of arms sale profits to the Nicaraguan opposition. This is the second phase of the committees' work, the first phase being the actual investigation which began in January and is continuing at this very moment.

We begin these hearings as the nation approaches the bicentennial of the Constitution, so it is appropriate to note that the investigative power of Congress is inherent in its constitutionally assigned role as the legislative branch of government. The innate power of a legislative body to investigate comes from English common law dating back to at least the sixteenth century. Committees of the House of Commons had the power to summon witnesses, examine documents, and punish for contempt, just as the two Iran Committees do today. The American colonial legislatures, the Continental Congress, and the early state legislatures relied on these precedents.

Woodrow Wilson, as a college student, wrote that "the informing function of Congress should be preferred even to its legislative function." As a Senator, Harry Truman stated that "the power of investigation is one of the most important powers of the Congress. The manner in which that power is exercised will largely determine the position and prestige of the Congress in the future."

Most of the major, historical congressional investigations have been concerned with allegations against and actions by officials in the the executive branch. Other examples include Watergate, the McCarthy hearings, and Teapot Dome.

That is as it should be. The ability of Congress to discover the facts and expose improper conduct in the executive branch is one of the key "checks" in the brilliant system of checks and balances devised by the Founding Fathers of our country.

I will take this moment to thank and commend Senator Inouye, the Chairman of the Senate Committee. Senator Inouye has set a standard that future special committees and their chairman will find difficult to match. From the beginning, he has run the Committee effectively and in a bipartisan fashion, which is proven by the fact that every vote taken by the Committee has been decided unanimously. He put together a nonpartisan, professional staff which, under the direction of Arthur Liman, has performed brilliantly. They have worked brutal hours over the last several months piecing this complex story together -- most are still working on it today.

I would also like to express my appreciation to Representative Hamilton and Representative Cheney, the Chairman and Ranking Member of the House Committee. Their willingness, along with that of Senator Inouye, to cooperate on this sensitive matter has produced a result nobody thought possible four and one-half months ago, one that serves our nation well and brings credit on Congress as an institution.

Merging the House and Senate investigations has ensured that the American people will get the full story sooner. By combining the hearings of the House and Senate Committees, we have ensured that the full story is told to the American people in a coherent manner. By working together, the two Committees have avoided an unhealthy competition and ensured a nonpartisan and professional search for the truth. The willingness of separate House and Senate committees to merge their separate identities and work as one is, to the best of my knowledge, an historic first and especially noteworthy given the high profile and sensitive nature of the subject.

By the time these hearings are concluded, the American people will learn the answers to the five final questions: who, what, when, why, and how.

Of course, we will examine the role of the President and various executive branch officials. What actions did the President specifically approve of? What exactly did federal officials do, on whose authority were such actions taken, and were any laws violated?

We will also, however, examine how the various aspects of the affair developed. Did various people consciously set out to violate the law? Were they well-intentioned policies and motives which went astray? Was the problem attributable in any way to unclear or vague federal laws on the issue?

Finally, we must look at how the foreign policy process worked. Is the existing process flawed, or was it simply ignored? What are the ramifications when foreign policy is privatized in a way that leaves it susceptible to the control of profiteers rather than policy makers?

The story that will be told is a sad one. There will be evidence of illegal behavior and contempt for our democratic form of government. There will be stories of greed and incompetence. There are many victims including the American people who have a right to expect better from their government. While the investigation is still underway, we already have sufficient evidence to establish that this is an inexcusable fiasco of the first order.

It is important, however, to keep things in perspective. These hearings, while laying out an unfortunate affair, also serve as a reminder of the fundamental strength of the American system of government. This investigation and these hearings demonstrate the self-corrective nature of our democratic government. They prove, once again, the brilliance of Winston Churchill when he stated that "democracy is the worst system devised by the wit of man, except for all the others."

PREPARED STATEMENT OF CONGRESSMAN FASCELL

Mr. Chairman, first let me complement you and the ranking member and Chairman of the Senate Select Committee for these joint hearings.

We meet here today at the beginning of what will be an historic occasion to deal with a very difficult matter. The efforts and work of the House and Senate Select Committees have been completely bipartisan up until now, and I am certain will remain that way throughout the course of tne investigation. The nature of what we are dealing with demands it.

The Congress, because of the nature and the scope of the investigation, has constantly been behind the curve on the discovery of the facts and the complex elements of this case. But now, after the examination of hundreds of witnesses and hundreds of thousands of documents, we are ready to prepare the official Congressional record. We will determine what are the facts and the truth. The American public will also make its own decision based on what it sees, hears and reads during the course of the proceedings.

In their opening remarks, Chairman Inouye and Chairman Hamilton delineated very clearly the subject matter of these hearings, including an overview of the complex web of events that have transpired, and what we all can expect these hearings to produce. I would like to add my thoughts and offer my views of these matters.

Basically, these hearings are about accountability, the truth, and the facts. I have been asked why Congress didn't do something about this problem before. The answer is very simple: we didn't know anything about it. It is very tough for anyone to make any kind of informed judgment on a matter when all the information needed is being held in the Executive Branch of government. In a constitutional arrangement such as ours, the governmental apparatus does after all provide for checks and balances and a sharing of power and decision-making among the three branches of government. But for the system to work properly, there must be a sharing of information. In this case the foreign affairs policy and its implementation was an initiative of the Executive.

These hearings are also about the formulation and implementation of our country's foreign policy. In this case, about a foreign policy that was publicly formulated and interpreted in one manner and privately implemented for an entirely different purpose. A major agency of the government, the National Security Council, which had been created to advise the President, was in fact used for operational purposes. In my judgment, the NSC had never been granted this authority by law nor had it ever been perceived as having the capability to carry out operational activities. The fact that Congress was bypassed is clear and has been admitted; but the fact that other agencies and senior members of the government were also ignored only tended to exacerbate a bad situation.

Congress, in adopting any policy, attempts as best it can to reflect the will of the American people. I have always believed that no foreign policy initiative can be successfully implemented if it is not fully understood or supported by the American people. When the legislative and executive branches diverge, or are unclear with respect to the implementation of policy, you are obviously going to run into trouble and difficulty. It makes no difference how zealous you are in pursuit of a goal, how "right" you are, or how "right" you may think you are. That is not the issue. The issues before us today are more rightly contained in the answers to these questions: Were criminal acts committed? Were laws ignored or violated? Were interpretations of the law stretched or distorted? Was the will of the American people subverted?

Obviously it is not wise to turn over the implementation of foreign policy to private individuals and organizations. In the course of events that brings us here today, the President either acquiesced, was purposely kept in the dark, or administration officials distorted the facts in order to protect the President, none of which is laudable. Nonetheless, I believe the President should be commended for his cooperation with the investigation, regardless of his actions or inactions.

So we in the Congress begin these hearings today so that an official record can be made, so that we can put the matter to rest and hopefully learn from any lesson this affair may teach us about the functioning of our government. We begin the hearings today to demonstrate once again, for this is an ongoing struggle, the strength of democracy, and the strength and wisdom and common sense of the American people.

We are here today for and about truth, we are here today for and about accountability. We are here today to examine the extent to which zeal and power can be and were used by the Executive in order to achieve an objective and bypass normal checks and balances./ But we have to live it seems to me, if we are to live at all in our system, by the principles of a constitutional government where no man is a law unto himself.

OPENING STATEMENT BY
CONGRESSMAN WILLIAM S. BROOMFIELD
AT THE
HEARING OF THE SELECT COMMITTEE TO INVESTIGATE
COVERT ARMS TRANSACTIONS WITH IRAN

MAY 5, 1987

MR. CHAIRMAN:

AS THESE HEARINGS FINALLY GET UNDERWAY, I HOPE WE CAN NOW MOVE QUICKLY TO DETERMINE THE TRUTH, ASSIGN RESPONSIBILITY FOR WHAT HAPPENED, AND THEN PUT THIS MATTER BEHIND US.

THE AMERICAN PEOPLE DESERVE NO LESS.

BECAUSE OF THE SERIOUSNESS OF THIS INVESTIGATION, THE CONGRESS HAS PROCEEDED CAREFULLY, RESPECTING THE LEGITIMATE CONCERNS OF THE SPECIAL PROSECUTOR THAT IMPORTANT EVIDENCE BE SAFEGUARDED FOR POSSIBLE CRIMINAL TRIALS.

HOWEVER, AS IMPORTANT AS THE SPECIAL PROSECUTOR'S ROLE IS, CONGRESS ALSO HAS AN IMPORTANT ROLE. CONGRESS AND THE COUNTRY CANNOT BE HELD HOSTAGE TO THIS SINGLE ISSUE INDEFINITELY.

THE NATIONAL PREOCCUPATION WITH THIS MATTER HANGS LIKE A DARK CLOUD OVER OUR GOVERNMENT, DILUTING ITS EFFECTIVENESS IN DEALING WITH DOMESTIC PROBLEMS AND WEAKENING OUR POSITION IN THE WORLD ARENA.

OUR RESPONSIBILITY NOW IS TO SEE THAT THE FACTS ARE LAID OUT CLEARLY AND COMPLETELY FOR THE AMERICAN PEOPLE. THEY ARE CAPABLE OF ARRIVING AT THEIR OWN JUDGMENTS ABOUT THE WISDOM OF THE POLICIES THAT SPAWNED THIS TRAGIC AFFAIR.

LET THE CHIPS FALL WHERE THEY MAY, BUT LET'S GET ON WITH IT SO THAT GOVERNMENT CAN RETURN TO GOVERNING EFFECTIVELY.

PRESIDENT REAGAN HAS BEEN OPEN AND ABOVE BOARD IN HIS DESIRE TO COOPERATE.

IN FACT, HIS DECISION TO WAIVE EXECUTIVE PRIVILEGE REGARDING CONFIDENTIAL MATTERS WITH HIS CLOSEST ADVISERS WAS A GREAT HELP TO OUR INVESTIGATION AND ALMOST UNPRECEDENTED IN OUR HISTORY.

SOME BASIC FACTS ARE CLEAR. IN HINDSIGHT, THE PRESIDENT'S DECISION TO SELL ARMS TO IRAN WAS CLEARLY A MISTAKE. I HAVE SERVED UNDER SEVEN PRESIDENTS---REPUBLICANS AND DEMOCRATS---AND ALL OF THEM MADE MISTAKES AT ONE TIME OR ANOTHER.

WHILE SOME OF THE PRESIDENT'S ADVISORS WERE MOTIVATED BY THE HOPE OF IMPROVING RELATIONS WITH IRAN, THEY SUCCEEDED ONLY IN UNDERCUTTING OUR RELATIONS WITH OUR ALLIES.

THE UNITED STATES CANNOT HAVE A STRONG AND EFFECTIVE POLICY OF COMBATTING TERRORISM IF WE SECRETLY TRADE ARMS FOR HOSTAGES, AND THAT IS EXACTLY WHAT HAPPENED.

ALTHOUGH IT IS CLEAR THAT THE PRESIDENT'S DECISIONS OVER TIME WERE DRIVEN BY COMPASSION FOR THE HOSTAGES AND THEIR FAMILIES, IT IS EQUALLY CLEAR THAT THE SALE OF ARMS TO IRAN WAS THE WRONG DECISION BASED ON FAULTY ADVICE FROM A SYSTEM THAT HAD BEEN SHORT-CIRCUITED.

IF THE WHITE HOUSE HAD FOLLOWED STANDARD PROCEDURES IN DEVELOPING THE IRAN INITIATIVE—WHICH PROVIDE FOR A COORDINATED REVIEW BY THE NATIONAL SECURITY COUNCIL AND DISCUSSION WITH THE INTELLIGENCE COMMITTEES OF CONGRESS—THIS DISASTER COULD HAVE BEEN AVOIDED.

THE OTHER SIDE OF THE INVESTIGATION—THE DIVERSION OF GOVERNMENT FUNDS AND THE FINANCING OF MILITARY EQUIPMENT FOR THE NICARAGUAN RESISTANCE FROM PRIVATE FUNDS—ALSO PAINTS A DISAPPOINTING PICTURE.

WE ARE A NATION OF LAWS. REGARDLESS OF OUR POSITION ON U.S. POLICY IN NICARAGUA, WE ARE ALL REQUIRED TO ABIDE BY THOSE SAME GUIDING PRINCIPLES.

THOSE INVOLVED IN CIRCUMVENTING THE LAW DID A GREAT DISSERVICE TO THE PRESIDENT, THE CONGRESS, AND THE AMERICAN PEOPLE.

OVER THE COURSE OF THE COMING WEEKS, SOME OF THOSE INDIVIDUALS WILL BE CALLED BEFORE THIS COMMITTEE SO THAT THE AMERICAN PEOPLE MAY JUDGE THEIR GUILT OR INNOCENCE.

OUR RESPONSIBILITY WILL BE TO HEAR THEM OUT WITH AN OPEN MIND, RESPECTING THEIR REPUTATIONS AND RIGHTS AS INDIVIDUALS AND RESISTING ANY TEMPTATION IN THE GLARE OF NATIONAL ATTENTION TO JUMP TO HASTY AND UNFAIR JUDGMENTS.

MOST OF ALL, I HOPE WE CAN MOVE IN A STRAIGHT LINE TO THE TRUTH OF THE CENTRAL QUESTIONS BEFORE US—WITHOUT ANY DETOURS —AND WITHOUT FURTHER DELAY.

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SENATOR SAM NUNN
OPENING STATEMENT -- IRAN-CONTRA COMMITTEE
MAY 5, 1987

MR. CHAIRMEN, I WILL TAKE ONLY A MINUTE OR TWO BECAUSE YOU AND THE OTHER MEMBERS HAVE SPOKEN ELOQUENTLY ABOUT THE IMPORTANCE OF THE TASK THAT WE BEGIN TODAY. BUT I WOULD LIKE TO ADD A WORD ON MY OWN PERSPECTIVE.

OURS IS A SOLEMN AND VERY SERIOUS TASK. IT HAS PROFOUND CONSTITUTIONAL SIGNIFICANCE, AND REQUIRES THAT WE PROCEED WITH GREAT CARE. I COMMEND THE LEADERSHIP IN BOTH HOUSES AND THE CHAIRMEN AND VICE CHAIRMEN FOR THE WISDOM AND LEADERSHIP THEY HAVE SHOWN AS WE BEGIN OUR DUTIES. I WOULD ALSO LIKE TO COMMEND THEM FOR THEIR EXTRAORDINARY HARD WORK. THE SENATE COMMITTEE STAFF, SO ABLY LED BY ARTHUR LIMAN, MARK BELNICK AND PAUL BARBARDORO, HAVE DONE A TRULY OUTSTANDING JOB. THE STAFF WAS ASSEMBLED VERY QUICKLY, BUT JUST AS QUICKLY ESTABLISHED THEMSELVES AS ONE OF THE BEST I HAVE EVER SEEN ON CAPITOL HILL. THE SAME CAN BE SAID FOR JOHN NIELDS AND THE HOUSE STAFF.

LET ME NOW TURN TO BE THE SUBSTANCE OF OUR TASK. ALL OF US WOULD LIKE TO SEE THE HOSTAGES RELEASED AND ALL OF US WANT DEMOCRACY TO SUCCEED IN CENTRAL AMERICA. BUT WE CANNOT ABUSE DEMOCRACY AT HOME IN PURSUIT OF DEMOCRACY ABROAD.

THE CENTRAL ISSUE THUS BECOMES WHETHER THIS ADMINISTRATION UPHELD THE LAW OR FLAUNTED IT. IN ADDRESSING THAT ISSUE WE MUST ASK TOUGH QUESTIONS. AS I SEE IT, THOSE FALL INTO THREE GROUPS:

- QUESTIONS ABOUT THE ADMINISTRATION'S REGARD FOR THE RULE OF LAW,
- QUESTIONS ABOUT THE ADMINISTRATION'S COMPETENCE IN THE CONDUCT OF FOREIGN POLICY, AND
- QUESTIONS ABOUT THE PRESIDENT'S RESPONSIBILITY FOR THESE EVENTS.

MR. CHAIRMEN THIS IS NOT A PLEASANT TASK, BUT IT IS TERRIBLY IMPORTANT. THE QUESTIONS WE WILL BE ASKING GO TO THE HEART OF OUR CONSTITUTIONAL SYSTEM. THE ANSWERS WE GET - AND WHAT WE AS A NATION DO ABOUT THEM - WILL TELL US A GREAT DEAL ABOUT OURSELVES. WE MUST ALWAYS REMEMBER THAT OURS IS A GOVERNMENT OF LAWS, NOT MEN.

SENATE SELECT COMMITTEE ON SECRET MILITARY ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION

OPENING STATEMENT OF
THE HONORABLE PAUL S. SARBANES

MAY 5, 1987

MR. CHAIRMAN: As the Select Committees begin public hearings on secret military assistance to Iran and the Nicaraguan opposition, it is the responsibility of this inquiry to develop as complete and accurate a narrative of the facts as can be established. This will better enable the Congress and the American people to make an informed judgement on the events and to reach conclusions about what must be done.

Important work has already been done by other committees of the Congress and by the Tower Commission, and I want to acknowledge their significant contributions.

In the course of reconstructing fully and accurately the chain of events, there are a number of basic questions that need to be asked:

1. How was policy made?

2. How were policies carried out?

3. Who was making policy a

We need to understand the process which policy was made and implemented. App was not only a breakdown -- or put more accuratel breaking down -- of the checks and balances between the and Legislative Branches of our government, but also of the che and balances within the Executive Branch itself. Established procedures were circumvented, internal controls were ignored, a private unaccountable network to raise funds and to supply arms was established to carry out major segments of American foreign policy. Furthermore, the policy actually being pursued secretly was sharply at odds with the policy publicly stated to the world and to our people.

These questions as to how decisions were made and implemented and by whom are central to our inquiry because they go to the fundamental issue of how our system of free self-government is meant to function. The complex system of checks and balances set out in the Constitution was designed expressly to place a restraint on power and to result in better decisions for our people. Especially in this Bicentennial year of the Constitution, it is critical to remember that no substantive end, no particular policy, however zealously desired, can justify undermining the principles which are at the heart of our democracy.

STATEMENT OF SENATOR WILLIAM S. COHEN
ON THE OPENING OF THE
IRAN-CONTRA HEARINGS

MAY 5, 1987

Many journalists have asked recently: "Why have these hearings? Will there be any new dramatic revelations? Is this just another case of Congress trying to tie up Gulliver with trivialities? Won't the American people be bored?"

The answer is that our purpose is not to entertain, but to inform. Not to electrify the electorate, but to educate our citizens about the importance of our institutions, about the reverence we must have for the rule of law, about the consequences of amputating the checks and balances in our system that guard against arbitrary or illegal action.

Walter Lippmann reminded us that, "The great virtue of democracy -- in fact its supreme virtue -- is that it supplies a method for dragging realities into the light, of summoning our rulers to declare themselves and to submit to judgment."

Government in America is based upon the consent of the governed. Consent is meaningless unless it is informed consent. There are times when a President must act covertly to promote our security and to protect our lives. But when major policy is constructed behind closed doors by a few men and carried out by either patriots or profiteers in the shadowy world of covert action, then the American people may belatedly discover that an unwise course of action has been undertaken without their knowledge, without their consent, and against every intuitive sense of propriety. Moreover, when major policies are not openly debated and formulated, when financing for an undisclosed program comes from private pockets or foreign treasuries, there are promises -- expressed or implied -- that are made in our name. At some point, at some time, a quid will be called for the quo.

Why should private individuals or foreign countries support the Contras? What is the price of their good will? What measure of compensation will be exacted? Will the cost be affordable or consistent with our ideals or our interests?

The story that has unfolded is disheartening in several respects. First, by allowing arms to be included in the effort to obtain American hostages, we engaged in an act of folly and hypocrisy. America's back was placed on the cruel rack of extortionists. Everyone knows an extortionist's price is never paid. It will always be another load of weapons for another group of victims. Moreover, by openly advocating a policy of not dealing with terrorists and their sponsors, and then covertly practicing another, we undermined our ability to lead the free world in building an effective and unified policy to defeat international terrorism.

With respect to the Contra aid program, it will become clear that so much time was spent on secrecy, so much effort wasted on evasion, so much money was misdirected -- or remains missing -- there was little chance left for competence in providing effective military assistance to the Contras.

It was not only the American taxpayers who were deceived by fraudulent charitable organizations and Congress that was actively misled about the sources of the Contra funding, but the Contras themselves who were filled with false hopes and empty promises.

I should point out that a portion of Congress' house is constructed of glass. While a majority of Congress' members wanted to be on record in opposition to the Contras, they were unwilling to accept responsibility for terminating all assistance. As a result, the Administration aggressively searched through the shifting restrictive funding conditions set by Congress and exploited every ambiguity in the law to carry on its policy of military and paramilitary support.

These hearings will help determine whether the Administration's moral zeal obscured its collective judgment and whether the perceived nobility of its purpose led some individuals into the zone of lawlessness.

The laws we pass may not always be wise. But unless they are faithfully followed, we inch closer to despotism or anarchy where the freedom and safety of our citizens is equally at risk.

If public officials are free to ignore the law, to stultify it, to twist or disfigure its meaning in the name of superior motive or righteousness of cause, then we invite our undoing.

It is conceivable during this year of celebration of our Constitution that the American people will be bored with the information, that the ratings of the networks will slip, that the demand for daytime drama will force the klieg lights in this room to be dimmed. Tedium may try the patience of the people we represent.

I don't believe that will happen. But even if it should, we have the obligation to continue to present a full disclosure of the evidence so that the governed can be assured that they will get precisely the kind of government they choose and deserve.

Statement of
Senator Orrin G. Hatch
U. S. Senate Select Committee
on Secret Miliary Assistance to
Iran and the Nicaraguan Opposition
May 5, 1987

I am proud to participate in these historic hearings. With all Americans, I look forward to finally getting to the bottom of the crucial facts involved in the decision of our government to sell arms to Iran.

Over the past several months, ever since this story broke, I have watched as the events surrounding the Iranian arms sales have been discussed, debated, and reported in the media in great detail. Scarcely a day has passed in the last six months without a major story's appearing in the Washington Post and many other major publications on every conceivable aspect of this story.

I think, frankly, we have overdone it. We have become obsessed with this affair. This isn't to say the questions aren't important. Of course they are, and I hope we will answer them here. But whereas a measure of public self-flagellation may be constructive, we seem to have turned it into an art form.

We must of course examine our mistakes and learn from them. But as much as a certain small segment of our country seems to want to keep this controversy alive, I have a strong belief the average American doesn't feel that way at all. In my frequent travels back home to Utah, for example, I get the real feeling that the vast majority of Americans out there are sick and tired of hearing about this affair. They would like to see us put a merciful end to the public inquiry and get on with the business at hand.

In my mind, there are two key questions for us to try to answer: What did the President know? and where did the money go?. I hope we can ascertain the answers as soon as possible. I have every confidence that under the able chairmanship of Chairmen Inouye, Hamilton, Rudman, and Cheney, we will be able to do so.

In the process of answering those key questions, I anticipate that we will reveal a rather intriguing story, a story that will illustrate some of the serious pitfalls that flow from a system where crucial foreign policy decisions and operations are entrusted to lower level officials and private individuals acting under a shroud of secrecy and a cloud of quasi-authority. In the end it appears that overzealousness and mismanagement made their appearances. Greed and corruption - in the case of some of the Iranian middlemen, did as well. Consequently, a desperate situation became even worse.

I hope after we have heard all of the facts, we will examine them carefully and take whatever corrective action is necessary. If we need to pass new legislation to make sure these mistakes aren't repeated, then we should pass it as soon as possible. We need to take constructive action while looking ahead, not destructive action while looking back.

I compliment the chairmen and the vice chairmen of these Select Committees. They have done an outstanding job of putting together these hearings, and they have developed a spirit of cooperation between the two committees that is admirable and, in my experience, unexcelled in Washington. They have outlined an ambitious program to effectively communicate to the American people what actually happened.

I thank the Chair for the opportunity to make these few opening remarks.

Prepared Statement of
CONGRESSMAN LOUIS STOKES
May 5, 1987

MR. CHAIRMAN. THIS SETTING HAS SEEN MANY EVENTS THAT HAVE SHAPED THE DIRECTION AND LEADERSHIP OF AMERICAN POLITICS. SO IT IS FITTING THAT THIS JOINT COMMITTEE ADDRESS THE ISSUES ARISING FROM THE COVERT SALE OF ARMS TO IRAN IN SUCH A SETTING.

THIS SETTING, HOWEVER, AND THESE HEARINGS WOULD NEVER HAVE TAKEN PLACE HAD THE EXECUTIVE BRANCH OF OUR GOVERNMENT ADHERED TO THE SAFEGUARDS IN OUR CONSTITUTIONAL FORM OF GOVERNMENT.

I COME HERE TODAY TROUBLED BY THE EVENTS WHICH LED TO THE FIRING OF COLONEL OLIVER NORTH AND THE REMOVAL OF ADMIRAL JOHN POINDEXTER AS DIRECTOR OF THE NATIONAL SECURITY AGENCY. I COME HERE CONCERNED ABOUT THE CONDUCT OF AN OPERATION IN SUPPORT OF THE CONTRAS BEING RUN OUT OF THE BASEMENT OF THE PEOPLE'S WHITE HOUSE.

I AM CONCERNED ABOUT THIS OPERATION LEADING TO THE APPOINTMENT OF A SPECIAL PROSECUTOR TO CONDUCT A CRIMINAL INVESTIGATION WHICH HAS ALREADY RESULTED IN ONE CONVICTION. I AM CONCERNED ABOUT THE CONDUCT OF OFFICIALS IN THE EXECUTIVE BRANCH OF GOVERNMENT WHO NOT ONLY CIRCUMVENTED THE LAW PROHIBITING AID

TO THE CONTRAS BUT IN DOING SO ALSO DIVERTED FUNDS. BUT EVEN MORE THAN THAT I AM CONCERNED ABOUT THE FLAGRANT DISREGARD FOR CURRENT LAW WHICH REQUIRED CONGRESS TO BE INFORMED OF THEIR ENGAGEMENT IN THIS COVERT ACTIVITY.

IT IS THIS FLAGRANT DISREGARD FOR THE RESPONSIBILITIES IMPOSED UPON CONGRESS UNDER OUR CONSTITUTION THAT BRINGS US TO THIS FORUM TODAY. IMPLICIT IN THE RESPONSIBILITIES IMPOSED UPON BOTH THE EXECUTIVE AND THE LEGISLATIVE BRANCHES OF OUR GOVERNMENT IS THE TRUST THE AMERICAN PEOPLE HAS REPOSED IN BOTH BRANCHES OF GOVERNMENT. NOT ONLY WILL THESE HEARINGS REVEAL THAT CONGRESS DID NOT KNOW OF THESE ACTIVITIES BUT IN THE EXERCISE OF THEIR OVERSIGHT RESPONSIBILITIES WERE MISLED AND DECEIVED BY THE EXECUTIVE BRANCH OF GOVERNMENT.

OUR CONSTITUTIONAL SYSTEM OF CHECKS AND BALANCES WAS DESIGNED SO AS TO PROTECT THE AMERICAN PEOPLE FROM THE FRAILTIES OF MEN. OURS IS A NATION OF LAWS AND UNDER OUR SYSTEM NO MAN IS ABOVE OR BEYOND THE LAW.

THAT TRUST GRANTED TO ITS OFFICIALS BY THE AMERICAN PEOPLE IS A CRITICAL FACTOR IN THE FOREIGN POLICY OF THE UNITED STATES. UNDER OUR CONSTITUTION, IT IS THE PRESIDENT WHO HAS THE EXECUTIVE POWER OF GOVERNMENT IN THE AREA OF FOREIGN AFFAIRS. BUT THE CONSTITUTION DOES NOT MAKE AN ABSOLUTE GRANT OF PRESIDENTIAL AUTHORITY IN FOREIGN AFFAIRS. THE CONGRESS, TOO, HAS CERTAIN WELL-DEFINED POWERS. ONLY CONGRESS CAN DECLARE WAR. IT IS THE CONGRESS WHICH MUST APPROPRIATE FUNDS FOR THE CONDUCT OF FOREIGN POLICY. IT IS IN THE EXERCISE OF ITS CONSTITUTIONAL POWERS THAT CONGRESS HAD THE AUTHORITY TO LIMIT THE PRESIDENT IN HIS CONDUCT OF FOREIGN POLICY, AS IT DID WITH THE BOLAND AMENDMENT.

BUT MORE THAN THE LEGAL ARGUMENTS AND DEBATES AROUND THE BOLAND AMENDMENT AND THE REQUIREMENT TO GIVE NOTICE OF COVERT ACTIONS TO CONGRESS IS A MORE FUNDAMENTAL ISSUE IN A DEMOCRACY. THE ULTIMATE QUESTION TO BE ANSWERED IN THESE HEARINGS IS NOT THE QUESTION BEING BANTERED AROUND IN THE MEDIA OF WHETHER THE PRESIDENT KNEW AND IF SO, WHEN DID HE KNOW. THAT QUESTION WILL BE ANSWERED. THE MORE IMPORTANT QUESTION TO BE ANSWERED FOR THE

AMERICAN PEOPLE IS WHETHER BY THE PRESIDENT'S ACTIONS AND THE ACTIONS OF OTHERS THEY BROKE THEIR TRUST WITH THE AMERICAN PEOPLE BY BECOMING UNGOVERNED BY LAW.

PREPARED STATEMENT OF CONGRESSMAN BILL McCOLLUM

Undoubtedly in the Iran Arms Dealings and related Contra matters some major mistakes of judgment were made and it appears some individuals broke some laws. However, our mission is not to determine whether any laws were broken. That is a responsibility of the special prosecutor or independent counsel. Our purpose is to lay out for the public all the facts, to provide answers to the remaining unanswered questions and to address the broad policy issues raised by these matters.

For many the key question is: Has the President been telling the truth? These proceedings MUST answer this question.

However, there are some other questions that are equally important for us. A number of witnesses we will hear are highly disciplined, highly trained, bright men who have had exceptional careers with our government. In the conduct of foreign operations, we have a system that includes the Central Intelligence Agency, the Defense Intelligence Agency, and a number of special operations forces. Many of the men involved in this matter have been a part of this system: YET IN THIS CASE they deliberately went outside the system. The obvious question is WHY! What were their motives! What were their concerns? What were their reasons?

Other key questions for us are:

What should the role of a President in foreign policy be when he disagrees with Congress? How far can or should Congress go in restraining the prerogative of a President in the conduct of foreign policy? Are the apparent excesses of some of the President's men in this case a demonstration of the need for more restraint or the product of too many restraints already in place?

As these hearings proceed over the next few weeks we must withstand the temptation to prejudge the facts. We're going to hear from a wide array of witnesses. There will be many details and the stories are complex. Our committee is divided between two political parties, and during these hearings we must also resist the temptation to put a partisan political spin on the facts. My great respect for my colleagues on this panel gives me hope that we will resist these temptations and that we will proceed with, and complete our tasks in the best tradition of this institution.

PREPARED STATEMENT OF RICHARD V. SECORD

In the summer of 1984 and again in November of 1985, this administration asked me for assistance. On each occasion, first with respect to the Contras and later in connection with the Iran initiative, I responded to the request for help. I made no secret then, and make no secret now, of my view that containment of the Sandinista regime and our relations with Iran should be subjects of vital and strategic interest to the United States.

In these undertakings I coordinated my efforts with various government officials and I asked other men to assist me in their private capacity. All of them worked long and difficult hours. Many worked in the face of constant danger; some died. There was indeed compensation paid to the private parties, but no one undertook these missions for compensation alone. We believed very much in the significance of what we were doing and that our conduct was in furtherance of the President's policies. I also understood that this administration knew of my conduct and approved it.

I feel exactly the same about the men in government with whom I was in contact. It should come as no surprise that I have a great deal of respect and admiration for Admiral Poindexter and Lt. Col. North. They are both dedicated and honest men, who in my view, tried diligently and conscientiously to carry out the policies of the President in an appropriate manner.

All of us have had to suffer and endure a painful assault upon our motives and integrity inspired by incredible misinformation and speculation. Principally for this reason, and out of respect for the men whom I invited to join with me, as well as the request of this committee to come forward, I have decided to set the record straight and to testify voluntarily without any inducement whatsoever.

It is my hope that members of this committee and my fellow Americans will suspend judgment not only about us, but also about the objectives and policies we were pursuing, until after all the facts are placed upon the record. As you will shortly see, we did have some success; we also had our share of failure. But in all these endeavors, at least we tried, and I for one am not ashamed for having tried. If we were unconventional in some of our methods, it was only because conventional wisdom had been exhausted. If we had been successful in every respect, we would not be here today.

In agreeing to testify, I have returned to the position I embraced at the time the Attorney General prematurely went public with his grossly inaccurate disclosures about our operations. The decision of Mr. Meese, and possibly others, to succumb to anxiety and ignorance is particularly unforgiveable in light of the fact that had he been receptive he could have been advised of the facts surrounding these events before his announcement. This reasonable option was rejected, and we were, instead, betrayed, abandoned and left to defend ourselves.

In the face of that abandonment, my instincts were equally self-protective, and I have refused until now to testify. With the passage of time, however, I have reconsidered, and I am now prepared to explain to all of you and to the American public precisely what I did. I am ready to answer your questions.

OPENING STATEMENT OF THE HONORABLE EDWARD P. BOLAND
IRAN-CONTRA COMMITTEES HEARING
May 5, 1987

Mr. Chairman, in the Civil War era Milligan case, the United States Supreme Court noted that, "The Constitution of the United States is a law for rulers and people, equally in war and peace.... No doctrine involving more pernicious consequences was ever invented by the wit of man than that any of its provisions can be suspended during any of the great exigencies of government."

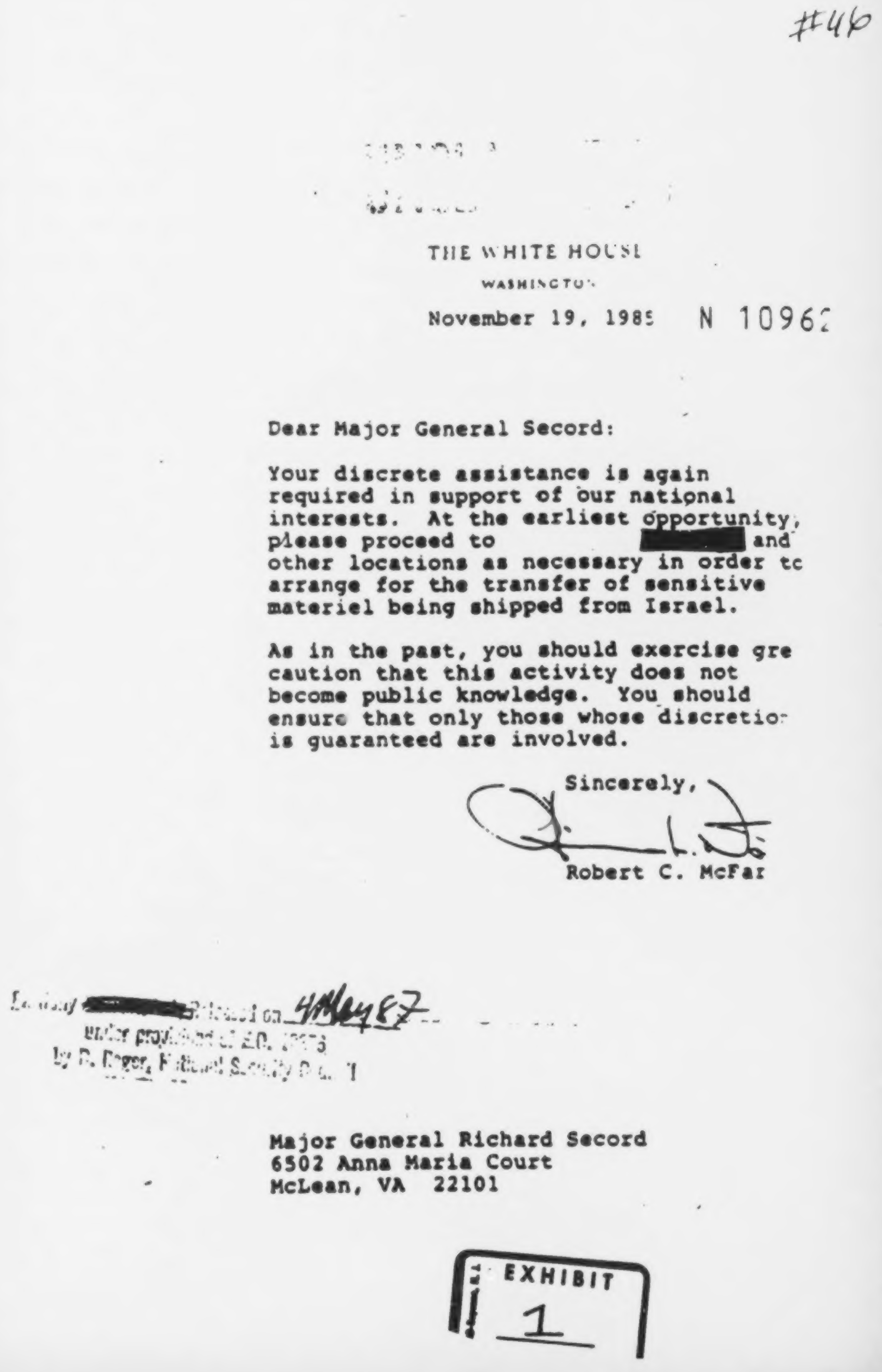
Today, we begin the public exposition of the Iran-contra affair. Other committees of the Congress, in other times, have conducted similar inquiries. I think anyone who reviews those records could not help but be struck by the presence of a common theme. Proceedings like these are the consequence — the natural and probable consequence — of practices of deception.

In the coming months, we will hear from individuals who hold, or held, positions of responsibility in our government; individuals who as a condition to accepting those positions promised "to support and defend the Constitution." But we will have evidence presented that may very well cause these committees, and the American people, to conclude that actions of those individuals, rather than defending the carefully crafted system of checks and balances that is the foundation of our Constitution, imperiled it.

We do not live under a system of government that allows the executive branch to pick and choose which laws it will obey, and which it will ignore. And yet, we will hear evidence that may lead these committees, and the American people, to conclude that individuals in the executive branch of our government saw the furtherance of their policies with respect to Iran and the contras as so important, that ignoring laws that would otherwise have been obstacles could be excused. Being unwilling to subject those policies to the processes of review provided by law, they cloaked them in a mantle of secrecy that produced deception rather than reason, and led inevitably to this day.

Mr. Chairman, there is never a good time for proceedings such as these, for by their very nature they do not extol the virtues of governmental actions and those who fashioned them, but rather underscore their failures. But perhaps this, our Constitution's bicentennial year, is not the worst time to remind the American people that there are principles which are intended to guide this nation's government, and which are more important than the exigencies of the day. The value of these proceedings cannot be measured in Nielsen ratings or public opinion polls. No, the true measure of value will come on that future day when other administration's are faced, as they will be, with a choice between policy and Constitutional principle. To the extent that the memories and lessons of these proceedings guide that choice toward that which endures rather than that which is transitory, what we begin today will have advanced the great democratic experiment undertaken 200 years ago.

Exhibit 1



#46

[illegible]

THE WHITE HOUSE
WASHINGTON

November 19, 1985 N 10962

Dear Major General Secord:

Your discrete assistance is again required in support of our national interests. At the earliest opportunity, please proceed to [redacted] and other locations as necessary in order to arrange for the transfer of sensitive materiel being shipped from Israel.

As in the past, you should exercise gre caution that this activity does not become public knowledge. You should ensure that only those whose discretio is guaranteed are involved.

Sincerely,

Robert C. McFar

[illegible] [redacted] Released on 4May87
under provisions of E.O. 12356
by B. Reger, National Security Council

Major General Richard Secord
6502 Anna Maria Court
McLean, VA 22101

EXHIBIT
1

EXHIBIT 2

N 10596

As of April 9, 1985

FDN Expenditures and Outlays

July 1984 through February 1985

Quantity	Item	Cost
Independent Acquisition		
	G-3 rifles	[redacted]
	Magazines	
	Rounds 7.62 x 51	
	Rounds 7.62 x 51	
	Hand grenades	
Airlift #1 - February 1985		
	81mm grenades	$
	60mm grenades	
	50 cal API	
	Rounds 7.62 x 39	
	Rounds 7.62 x 51	
Freight, Demurrage, Ins., etc.		
Airlift #2 - March 1985		
750,000	Rounds 7.62 x 39	$ 210,000
1,000	RPG-7 grenades	265,000
8,910	Hand grenades	84,645
60	60mm mortars	96,000
1,472 Kgs	C-4	47,104
[redacted]	Fuses and detonators	
	G-3 rifles	
	G-3 magazines	
	Cleaning kits	
	60mm grenades	
	50 cal links	
Freight, Demurrage, Ins., etc.		
Sealift #1 - April Arrival		
	RPG-7 rockets	$
	Rounds 7.62 x 39	
	Rounds 7.62 x 51	
	Belts for 7.62 x 39	
	SA-7 launchers	
	SA-7 rockets	
	M-79 grenades	
Freight, Ins., and other exp		
	M-79 grenades	

EXHIBIT
2

FDN Expenditures and Outlays
July 1984 through February 1985 (Cont'd...)

Quantity	Item	Cost
Sealift #2 - May Arrival		
	Rounds 7.62 x 39	
	Rounds 7.62 x 51	
	Rounds linked 7.62 x 51	
	Hand grenades	
	M-79 grenades	
	60mm grenades	
	81mm grenades	
	82mm grenades	
	RPG-7 rockets	
	Claymore mines	
	50 cal API	
	12.7 ammo	
	57mm recoiless rifles	
	57mm ammo	
	Anti-tank mines	
	G-3 rifles	
	G-3 cleaning kits	
	AK rifles	
	G-3 magazines	
	AK magazines	
	Swedish K magazines	
	HK-21 machine guns	
	RPG-7 launchers	
	M-79 launchers	
	9mm pistols	
	AK-39 links or belts	
	C-4	
[redacted]	Fuses and detonators	
Deposit paid		
Estimated cost		
Miscellaneous Expenses Since July 1984		
	Uniforms	
	Boots	
	Radio and comm equip	
	Air and ground transp	
	Military gear	
	Aid to southern front	
	Aid to Misuras	
	Food, family asst, upkeep of base camps, air force hospitals, etc.	
	Political activity - offices in various countries and cities, travel, p.r.	
	Acquisition two transp airplanes	

SECRET

EXHIBIT 3

Copp: 4/10/86 1545

102030Z Apr 86.

Part 1. Further to my earlier msg (101945Z Apr 86), Steele must have known my concerns. Ralph reports Steele has fully briefed Ambassador on our ops. Fortunately, Ralph says Ambassador very supportive including drops such as we have tonight.

Part 2. Ralph states that [redacted] has [redacted] under control regards warehouse, equipment, etc. [redacted] sees no further problems with [redacted]

Part 3. Have procured 90 55 gallon drums for av gas and will move fuel to west between next Tuesday and Thursday via C-123K.

Part 4. In a few days, we will have a supply of sealed drums for water drops to Indians. Will make practice drop [redacted] next week to proof kit the system. Things are looking up in the air arm. Rgds, Dick. BT

000001

Partially Declassified/Released on 4 May 87
under provisions of E.O. 12356
by B. Reger, National Security Council

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UNCLASSIFIED

EXHIBIT 3

UNCLASSIFIED

Copp: 4/11/86 1000

101450Z Apr 86. L-100 arrived over DZ on time but never saw inverted L or strobe lite. They remained in area 25 minutes and then aborted. Ralph coordinating with who says troops saw and heard L-100. I want to try again tonight an hour earlier but Steele has informed Ralph that he will not permit another "half ass" operation. He says we have to establish air/ground radio contact before he will permit op to go forward. This is assinine -- no black ops ever use this procedure. The answer is to sort out why the troops did not have signals properly displayed, including most importantly the strobe lite. Also Sat wants their bird back. I will handle Sat if you take care of Steele. This must be done right away or we must return the bird. Rgds, Dick. BT

[illegible] 4 May 87
[illegible]
[illegible]

C0[illegible]

~~TOP SECRET~~ TOP SECRET

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~~TOP SECRET~~ TOP SECRET UNCLASSIFIED

Copp: 4/11/86 0915

111400Z Apr 86. L-100 drop MSN failed last night. MSN launched on time and overflew DZ area successfully, but did not sight DZ lite pattern. Will not have full report from pilot for another hour or so. Ralph coordinating with for try tonight. Meanwhile, I need urgently to know whether or not [redacted] noted any reaction to our penetration. Will advise re pilots full report ASAP. Rgds, Dick. BT

4 May 87

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#13

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~~SECRET~~

101515EST APR86

Part 1. Need EUC on letterhead as follows... Certification de Destino final. Address to Lake Resources, Inc., P.O. Box 7284, Panama, Rep of Panama. Suggested text is... requires 30 man-portable, surface-to-air missile systems of the British blow pipe type. These systems are for the exclusive use of the and for defensive purposes. This systems should be shipped to [redacted] Signed by official. Letter should be stamped with official seal if available.

Part 2. Good luck tonite.

Regards

BT

4May87

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#14

~~SECRET~~

Copp: 4/16/86 1430

161835Z Apr 86.

1. C-140, code named Beatrice, ready for ops. If we are to go on Friday, Ralph needs to alert and If it is no go, I need to stand Ralph down -- he is currently at

2. Fuel drums gonig to west by C-123K on Monday.

3. Caribou No. 2 ready for deployment [redacted] on Friday. We now should make plans for sustained use of the fleet. Ralph has no pending requests from pps seem less than rewarding at this point.

4. 650K received today as reported by the banker.

5. Olmstead ready to go this weekend.

6. No calls from Adam today, assume you talked to him last night. Rgds, Dick BT

Partially Declassified/Released on 4/14/87 under provisions of E.O. 12356 by B. Reger, National Security Council

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#15

Copp: 4/18/86

181625Z Apr 86.

1. C-140 set for trip to tomorrow evening. We need to set departure time. FYI: The bird can go non-stop to [redacted]

ETD- 0500

2. Tom looking for ship captain today, will advise results.

3. Omstead due in my office in a few minutes.

4. Abe has heard of Cyrus Hashemi but does not know him. Abe says he heard about the guy and fact that FBI has been looking for him for suite a while. FYI: This may be son of former Savak General Hashemi who still operates as a deal maker in London and is reported to have strong ties -- some say control over Gorba. Dick. BT

[illegible] on 4May87
under prov[illegible]
by B. Reger, [illegible]

TOP SECRET

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#16

~~SECRET~~

Copp: 4/21/86 1635

212045Z Apr 86.

1. I talked to Adam this a.m. He quite pessimistic re Gorba/ cabal. He know time is nearly over. I agreed to transfer 185K to his acct Tuesday to satisfy IAF bill -- there is still the matter of about 25K in cash to be resolved. IAF total bill is 250K -- a real rip off.

2. Standing by for info on ship procurement, go or no go. I have Tom in the linemans crouch.

3. Current obligations over next few weeks nearly wipe us out except for CD. Big ticket items are 822K plus 185K to Adam, D. Walker 110K, 57K to Sat for drop to Blacky, 200K insurance fund, O and M 600K, 100K to defex-balance of 9 Apr 707 shipment. Bottomline is that ship buy plus BP buy can be accomplished only by using CD funds. Ship costs of course can be recovered.

4. Now that we have Euc, much more confident and says we should get pricing tomorrow. If you find work, send money. Rgds, Dick. BT

[illegible] 4 May 87
under pro[illegible]
by [illegible]

~~SECRET~~

SECRET

SECRET

- [illegible]
- [illegible]

#17

Copp: 4/28/86 1035

281515Z Apr 86.

1. Olmstead here in office and is meeting with Grant at 1400 today. Abe still in Copenhagen with our lawyer finalizing purchase of ship. Deal has been made after thre days of negotiations. The Danish captain is up and eager for the mission -- he now works for us. We are asking Grant for firm fixed price contract of $1.2M for six months. He will probably balk at this price since he wants to go month to month, but we have to self insure a vessel worth over 400K and a three-man crew. Our rough guess is that our monthly operating costs will be 50K -- the average charge per month for a vessel fo this type is 150K. Therefore, we are asking 50K per month for risk.

2. Tom is in London now trying to get on road to complete BP deal.

[redacted]

4May87

4. Where do we stand with Adam?

5. No new deposits. Rgds. Dick. BT

6. NEED TO GET CODES & [illegible] TO

SECRET

#19

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~~SECRET~~

211430MAY 86 0

Our understanding CAI, Steel and possibly Amb have had Long meeting over last two days. Results thus far. can no longer speak to anyone, include Ralph, on operational matters. CIA says there will be one operator/controller sent here from Uno who will direct all operations. Once he is here, must turn in his 43, we don't know about Steel's. In conversation with Ralph last night, he said we will be his only means of support, none will come from Do not know yet what Steel's role will be in future. Evidently CIA has done much discussing with Washington lawyers on this and are concerned with their legal status in this program. Know you have same concern for our position but can work out with Good.

9 May 87

~~SECRET~~

SECRET

UNCLASSIFIED

#18

N 841

Copp: 6/12/86 1030

121410Z June 86.

1. All aircraft out of mud and back Half of munitions load also back and remainder will be picked up by Caribou today.

2. We are now removing heater system from C-123 1200 lbs. and can make the air drop with a reduced load on a non-stop basis. needs to be informed but we don't know where he is.

3. Runway at west is draining OK but water table rises during heavy rains and several soft spots develop as a result. There was no way to forecast this problem. After putting heavy aircraft onto the field, the engineers now have better understanding. Fact is the field will have limited utility during heavy rains. It can still be used as divert base since highest 3,000 ft. is useable even during worst conditions.

4. Most important thing now is to get the political situation unscrewed in as we discussed. Dick. BT

Drop Tomorrow night

1124ØØ Z

= 24 3Ø W.

[illegible] Local

Time

TCL

COIF

UIN

KL-43

[illegible]

[illegible]

4 May 87.

Please tell

Deputy -

~~SECRET~~

SECRET

[illegible]

#20

[illegible]

[illegible] FOLLOWING IS OUR
[illegible] TO DISENGAGE FORM
[illegible] TODAY AND INFORM
[illegible] TO
[illegible] A FEW MORE DROPS
[illegible] ASAP AND
[illegible] AND THEN, WITH STEELE.
[illegible] POINT IS, DUE TO
[illegible] CONSIDERATIONS I.E. MAX/. WE
[illegible] LONGER OPERATE FROM [illegible] MAXS
[illegible] AND THREATS HAVE RESULTED IN THE
[illegible] DECIDING TO
[illegible] INCLUDES ALL
[illegible] WHICH BECOMES CIA
[illegible] WITH [illegible] RE
[illegible] WEST. SUGGEST CIA
[illegible] FUNCTION WITH DEA.
[illegible] DO WHATEVER IS NECESSARY TO
[illegible] F. WE WILL USE SAT TO HELP
[illegible] OF ASSETS. 2. ALTERNATIVE WOULD
[illegible] BUT IT IS
[illegible] CALERO ATTITUDE AND
[illegible] DEARBORN, JACK, HEINE.
[illegible] HAVE TO WORK OUT

4 May 87

UNCLASSIFIED

[redacted] [illegible] GROUP THAT
[redacted] [illegible] ADVISE
[illegible] DICK BT.

4 May 87

UNCLASSIFIED

#25

~~SECRET~~

: From Rob Earl

131300Z AUG. 1. CONDUCT EMERGENCY RECALL IMMEDIATELY. BRING THE MAINTENANCE AND AIRCREWS OUT OF THERE QUIETLY, BUT QUICKLY. LEAVE ALL THE EQUIPMENT, INCLUDING AIRPLANES. BRING BACK ONLY PERSONAL EQUIP. 2. DESTROY REGISTRATION PLATES ON A/C IF POSSIBLE, BUT DON.T DAMAGE THE A/C. 3. AT BOB, BACON, AND OLMSTEAD SHOULD GET TOGETHER. THE AIRFIELD REVERTS TO BACON.S CONTROL. 4. STEELE IS RECONSIDERING MEETING W/ YOU AND MAY CALL YOU. 5. IF HE HELPS PERHAPS THIS THING CAN BE PATCHED BACK TOGETHER FOR THE TRANSITION, BUT FOR THE MOMENT THE PEOPLE MUST BE GOTTEN OUT OF THERE. BT

~~SECRET~~

:

31345ZAUG86 1. THERE IS MORE THAN 1 MIL DOLLARS WORTH OF EQUIPMENT, SPARES, LOCATED AT I PRESUME YOUR MSG RESULTS FROM TELECON WITH OLLIE. IF SO I MUST REMIND YOU THAT THESE ASSETS ARE OWNED BY UDALL RESEARCH CORP AND THERE IS NO INTENTION OF ABANDONING THEM. 2. I INSIST ON IMMEDIATE MEETING BETWEEN BOB AND STEELE OR I WILL SEEK OUT THE AMBASSADOR AND RESOLVE THE ISSUE. DICK

~~SECRET~~

: From Rob Ea.

1. MY READING IS IT RESULTS FROM YOUR REPORT LAST NIGHT THAT AND HAD BEEN DIRECTED HANDS OFF BY DCI. COMBINED WITH MY REPORT THAT JIM DIDN.T WANT TO MEET WITH YOU, SUPPOSEDLY AT DIRECTION OF THE AMBASSADOR. 2. THE THREAT OF A LAW SUIT AGAINST [BUSTIC] FOR AIR PIRACY HAS APPARENTLY REALLY POISONED THE ATMOSPHERE FOR JIM AND FOR THE AMBASSADOR ABOUT THE GOOD INTENTIONS OF THE COMPANY. BT.

4 May 87

UNCLASSIFIED

[illegible]
[illegible]
[illegible] WAS [illegible]
[illegible] MA [illegible] [redacted] [illegible]
[illegible] OFFICERS [illegible] IF WE
[illegible] OF [redacted] [illegible] WILL [illegible]
[illegible] ENEMIES WHO VIEW ME
[illegible] MILLIONS FROM THE
[illegible] CARL JENKINS. MA
[illegible] OF [illegible] WILL
IMMEDIATELY [illegible] IN AND MORE BAD PRESS
RESULTS. [illegible] AND THE OTHER COMPANIES
ARE PERFECTLY LEGAL IN THEIR ACTIVITIES
AND I WILL MAKE THIS A MAJOR ISSUE IF
AMBASSADOR AND STEELE DO NOT RECTIFY
MATTER . I WILL NOT PERMIT
MA [illegible] US UP. 2. THIS IS NO SMALL
MATTER. WE MUST OPERATE AS THOUGH WE
HAVE SOME SENSE. [illegible] BT.

4 May 87

UNCLASSIFIED

#27

UNCLASSIFIED

~~SECRET~~

:

[illegible]ZAUG86 FRM MC ALLISTER.. HAVE JUST COMPLETED LONG DISTANCE DISCUSSION WI OWNERS AND HAVE CONVINCED THEM TO LEAVE C-123 AT YOUR LOCATION AS THERE MAY BE MORE WORK THAN EXPECTED ESPECIALLY IF WE HAVE TO FIX THE NO. 1 C-7. IT IS EVERYONES INTENT TO CONTINUE SUPPORT FOR THE EFFORT. MAX IS CENTRAL PROBLEM. HE CLAIMS A/C ARE CONTRA NOT INDEPENDENT COMPANYS. MAX CLAIMS WE ARE TRYING TO CUT AND RUN WITH CONTRA A/C. THIS IS NOT TRUE. WE ARE NOT RUNNING AND A/C TITLED TO COMPANY OWNED IN PANAMA--NOT CONTRAS. MAX IS TRYING TO BLACKMAIL US BY THREATENING THAT WILL REVEAL THE OPERATION. WILL CHARGE 600.000 DOLLARS LANDING FEES.ETC. MAX HAS BEEN AND CONTINUES TO BE BIG SECURITY THREAT. WE . MUST BE VERY SMART ABOUT OUR PROCEDURES SURE PRESS AND OTHERS WILL BE WATCHING AND WE DONT WISH TO EXPOSE NON USG EFFORTS. I AM TOLD YOU AND AMBASSADOR WILL BE HERE. WASH D.C.. MONDAY. I WILL BE GLAD TO MEET YOU ON ARRIVAL OR AT ANY TIME AFTER THE DISCUSSIONS. IF I CAN ASSEST WITH RESERVATIONS ETC. PLEASE ADVISE. BOB BT.

4 May 87

[illegible] — Sent to Goode so Ollie knows exactly what Bob said.

[redacted]

UNCLASSIFIED

[redacted]

221412ZAUG86 RECEIVED NEW GUIDANCE THROUGH GOODE FROM HIS BOSS. WE ARE TO STAY IN FULL OPERATION SUPPORTING THE [illegible] UNTIL 1 OCT. AT THAT TIME NSC SAYS THAT

DONT WANT OUR ASSETS TO REMAIN IN THE AREA AND CONFUSE THE ISSUE..AT WHICH TIME WE WILL TOTALLY WITHDRAW AND EITHER DISPOSE OF THE ASSETS OR SEND THEM ELSEWHERE. THIS IS CURRENT PLAN ONLY TO BE CHANGED BY THE NEXT PLAN. BOB BT.

4 May 87

C00016

TJ 3c3 [illegible] #29

~~(SECRET)~~

101515Z SEPT86.

1. Go ahead and use both C123's until surge is well under way. Pls tell everyone that 1 must return to MIA asap for maintenance.

2. Dry runs not getting us out of business. This is force feed op. don't go again unless we can drop without contact. In this regard you must establish commo with Try thru Steele. Goode thought you were already in contact with Steele and questions why we were unable to call off last nite's msn.

3. Goode's number is out--395-5887 works.

Rgds,

Blue Bird.

BT

Secord code name

4 May 87.

FM RELON TO RUS INFO GOODE

#30

(~~SECRET~~)

9/10/86 1730 HOURS.

Costa Rican security forces raided Plantation yesterday and impounded 77 drums of gas. Rumors aprehension for questioning denied late last night. One raiding official who claims saw facilities for 400 men at site arrested

he will break down and blame me and by consequence U.S. Embassy. decided to have me spend night at his home and send me to airport to catch first flight out hoping my name was not yet on stop list. Obvious surveillance spotted last night at my hotel as and I left. Don't know if hotel security or government official. Possibility of news leak 50 percent, but situation too confusing to predict anything. I am in possession of 2 other DZ coords and everything arranged between and me to continue drops without disruptions regardless of situation. coming to Miami on Friday but still I will be able to relay messages to and from [redacted] and Bob from Miami. Alert Ollie Pres. Arias will attend Reagan's dinner in New York Sept. 22nd. Boy needs to be straightened out by heavy weights.

BT

4 May 87

#2

UNCL...

[redacted]

SAT [illegible] [illegible] ..PLAN OF [illegible]. WILL
SEND 1 C-123 SOUTH WI [illegible] LBS. [illegible]
LOAD 10K LB MUNITION ON IT [illegible] AND
DELIVER TO [redacted] TODAY FOR THEM TO
RIG. TOMORROW 1 C-123 WILL GO SOUTH WI
[illegible] PRESENTLY IN WAREHOUSE WHILE OTHER
C-123 TAKES 10K LB TO TUES WILL
PUT [illegible] LB ON 2 C-123. TAKE AND
OFFLOAD. WILL THEN LOAD BOTH A/C WITH
BUILT-UP LOADS AND FLY 2-SHIP TO
NORTHERN TROOPS AND GET TO CAN
COMPLETE MSN WI 2 HR RESERVE. WILL START
WORKING ON SUPPORT FOR OTHER SOUTHERN
FORCES. RALPH CAN HELP GET PARACHUTE
SUPPORT FROM UNFORTUNATELY LOOKS
LIKE WE NEED 200 CHUTES TO CLEAR
WAREHOUSE. EVERYTHING WE CAN DELIVER TO
THEM TO RIG SAVES US. [illegible].T.S.
PLS SEND FAWN..END OF PLAN. FOR BLUEBIRD
SAT EVE REPORT-FLEW ALL 3 A/C TODAY.
COOPER AND I DELIVERED 10K OF GRENADES
FOR RIGGING. WILL TAKE 10K OF
MORTARS TOMORROW. MET TODAY.
HE ESPECIALLY HAPPY WI US NOW SINCE HE
BELLIED FDN DC-3 IN FRI. 60 MI W.
HE.S OK. OTHER C-123 DELIVERED 10K
W[illegible] D.S. BUT GOT LUCKY.
HAVE PHOTO PROOF OF LOAD IN CENTER OF
DZ. C-7 DELIVERED 15K
FORWARD BASE TODAY. WILL CONFIRM WI
RALPH WHO GETS LOAD TOMORROW. SUN EVE.
REPORT. FLEW 2 C-123 TODAY. OTHER A/C OK
BUT NO WORK. COOP AND I PUT ANOTHER 10K
[illegible] RIGGED AND READY FOR US TO
TAKE OUT OF THERE TO NORTH. NO.2 C-123
DROPPED 10K ON DZ NO.2.
POSITIVE ID OF DZ. PHOTO PROOF. HAVE NOW
DELIVERED 55K IN 2 DAYS. TAKING TOMORROW
OFF.
[redacted] RALPH COMING TOMORROW WI FUEL
MONEY. APPROX 20K NEEDED. WILL ADVISE
PLAN FOR WEEK TUES. I RTB APPROX THURS.
PS. C-123 NOW ARMED WI HK-21/7.62 MACINE
GUN ON AFT RAMP. BRING ON MI-24. PPS.
SEND FAWN-CAN.T CONTINUE ON MILK AND
COOKIES.RGDS BOB.

4 May 87

UNCLAS

Sept
Send to (ccp)

[illegible] 1. AM [illegible] OF ITEMS [illegible] WHAT WE NEEDED BUT [illegible] DELIVERED. 3. HAVE NOT RECEIVED [illegible] STATEMENT FROM DAN [illegible] TODAY. YOU MAY WANT TO CALL HIM AND BE SURE I GET IT ASAP. [illegible] OF THE MISSION REPORTS. 4. [illegible] SEND ME A [illegible] OF THE LAST [illegible] ON THE MACHINE. OUR [illegible] ARE GETTING BRIEFINGS USING OUR MATERIALS. I HOPE TO HAVE THE OPPORTUNITY TO GIVE SOME OF THE [illegible] MYSELF SOON. I'VE DONE A LOT OF BRAGGING ON WHAT YOU GUYS HAVE ACCOMPLISHED. SO KEEP GIVING ME THINGS TO BRAG ABOUT BUT FLY SAFE. BOB ST.

4 May 87

UNCL

To [illegible] Office

[illegible] 1. [illegible]
[illegible] NEED [illegible]
[illegible] TOP DOWN. WILL [illegible] GET
[illegible] OF INFO FLOW. [illegible]
[illegible] GET A NUMBER. [illegible]
[illegible]
[illegible] COOPER, SAWYER AND
[illegible] WITH A TALKER ONBOARD DEPARTED
[illegible]. FULL FUEL AND [illegible] LBS
[illegible] ROUTE SAME AS USUAL.
DID CHANGE
[illegible] CROSSING POINT.

[illegible] AS SANDIDS HAD MOVED SOME
HOSTILE GUNS INTO REGION WHERE WE
[illegible] RUN INTENDED DZ
ETA WAS
[illegible]. WE HAVE BEEN IN CONTACT WITH
TROOPS THEY SAY A C NEVER
ARRIVED DZ. IS ALERTED AND IS
CHECKING POSSIBLE LANDING
SITES. ETC. 4.MCRAINEY IS IN
STATES BUT IS BEING CALLED BACK ASAP. 5.
IS CONSIDERING FLYING ONE OF
HIS A C OVER SAFE PART OF THE
ANTICIPATED ROUTE. NO CROSS THE FENCE.
HAS THE SOUTHERN TROOPS LOOKING
THROUGHOUT AREA. LOW KEY. 6. THIS TYPE
SITUATION PRECISELY WHY I WANTED TO FLY
[illegible] WOULD APPRECIATE YOUR SUPPORT ON
THIS POINT. [illegible]'S OFFICE SHOULD KNOW OUR
[illegible] PRIME REASON WE HAVE HAD
[illegible] IN SINGLE. HE SHOULD BE
[illegible] THIS NET. 8. WILL PASS MORE
[illegible] GET IT. BOB ET.

EXHIBIT 4

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Exhibit [illegible]

I GENERAL

Due to recent changes in operational requirements and increased tasking, the "Benefactor Company," hereinafter referred to as B. C. Washington, has taken more direct control of Project Democracy and its supporting elements. The following outlines the structure, authorities, and responsibilities of the organization which was reorganized in early 1986.

II OPERATING LOCATIONS

A. Washington: B. C. Washington has operational control of all assets in support of Project Democracy. B. C. Washington has a separate secure communications facility that acts as the hub for all operational project information. ACE, as the Air Services entity, maintains administrative control and acts as the broker with SAT which provides aircraft maintenance and parts support. All contracts and contract payments are worked through ACE under the policy direction of B. C. Washington.

B. Cincinnati: This military airbase is the primary operational support base. It provides a secure location from which we operate aircraft and perform essential maintenance. Within the city, four houses are maintained where approximately 18 people are quartered. Transportation is provided by four vehicles with drivers. Besides the local telephone, communications are maintained between quarters and the base by mobile radio and between major operating locations by HF radio.

C. The Farm: This forward operating location (FOL) provides the launch and recovery site for support missions being flown in the north central operations area. It currently has a very limited maintenance support capability. We have been planning to install a site manager/operations officer to coordinate support requirements and operational requests. Crews can operate from here for a maximum of two to three days at a time.

D. The Plantation (West): This FOL provides the capability to support central and southern operations. The location requires the eventual installation of a permanent site manager plus an engineer/commo specialist. The sensitivity and vulnerability of this site limits its use and the number of people assigned. While training and actual missions may be launched from here, the prime purpose of the FOL is to provide an alternate refueling or emergency landing site and greater flexibility in mission planning.

E. Maintenance Support Miami: Due to the continuing requirement to locate, acquire, and provide numerous logistic support and maintenance items for operational assets, a one-man support element has been established in the Miami area. He is responsive to the Maintenance Director and works closely with SAT for procurement and delivery of required items.

III KEY PERSONNEL

A. Manager: The project manager at Cincinnati is the sole focal point for site operation and coordination with B. C. Washington, from whom he receives all policy and operational guidance. Either he or the Operations Director are on station at all times. Specific taskings include:

1) Be responsible for the operational effectiveness of company assets and personnel assigned to the project.
2) Establish and enforce a security system that ensures communications security and the operational security of all in-theater operations.
3) Direct the daily and weekly flying and maintenance schedules.
4) Provide B. C. Washington a daily maintenance and training status plus planned schedules for the next seven-day period.
5) Through the Host Liaison Officer, interface with the host government and in-country U.S. Government organizations on behalf of the company.
6) Direct and report on support activities for all personnel assigned to the project, whether they be permanent or temporary. This includes quarters, rations, pay, transportation, and leave schedules.
7) Maintain detailed records of activities and expenditures to provide strict accountability of all company assets and monies. A written report is provided B. C. Washington on a monthly basis.

B. Host Liaison Officer: This officer provides the Manager the critical link to the host senior officials to coordinate support and operational matters. He is the projects communication link and negotiator with both the host and in-country U.S. Government officials. He is part of the secure communications link between B. C. Washington and Project Democracy. Specific responsibilities include:

1) Maintain a secure communcations link with B. C. Washington to provide an alternate means of communicating with the Manager, the host or U.S. Government officials.
2) Brief and obtain concurrence from the minimum required host and requisite U.S. officials on current operations that are of specific interest to them.
3) Maintain close contact with the host military to arrange support for operations and maintenance.
4) Keep the Manager informed of any problems project personnel or operations may be creating for our host or in-country U.S. Government representatives.

C. Operations Director: Air logistics support being the primary service provided, it is necessary to install an experienced special operations aviator to act as senior air operations planner/coordinator and be second in overall command. Primary duties include:

1) Keep the Manager informed on all matters pertaining to operations.
2) Serve as the senior pilot.
3) Coordinate work schedules and resolve all air crew issues based upon top-down guidance.

4) Maintenance accurate and current records pertaining to air crew flying hours and training status.

5) Function as senior air operations planner for training and actual logistic support missions.

6) Establish and enforce a set of standards for aircraft commanders to evaluate all mission tasking for suitability, feasibility, and safety.

D. Maintenance Director: All major maintenance operations are conducted at Cincinnati with the support of the host and Maintenance Support Miami. The Maintenance Director will oversee and coordinate theater-wide maintenance acivitivies in accordance with the Manager's guidance. Responsibilities include:

1) Keep the Manager informed on all matters pertaining to maintenance.

2) Project and coordinate scheduled aircraft maintenance so that an operating capability exists at all times.

3) Maintain current and accurate records pertaining to scheduled and on-call inspections, servicing, and maintenance for each aircraft.

4) Maintain accurate inventories of tools, equipment, materials, and spare parts which are in the custody of the site maintenance section.

5) In coordination with Maintenance Support Miami, forecast and order spare parts, materials, and equipment.

6) Order and control required maintenance publications.

7) Prepare maintenance reports in accordance with directed schedules and formats.

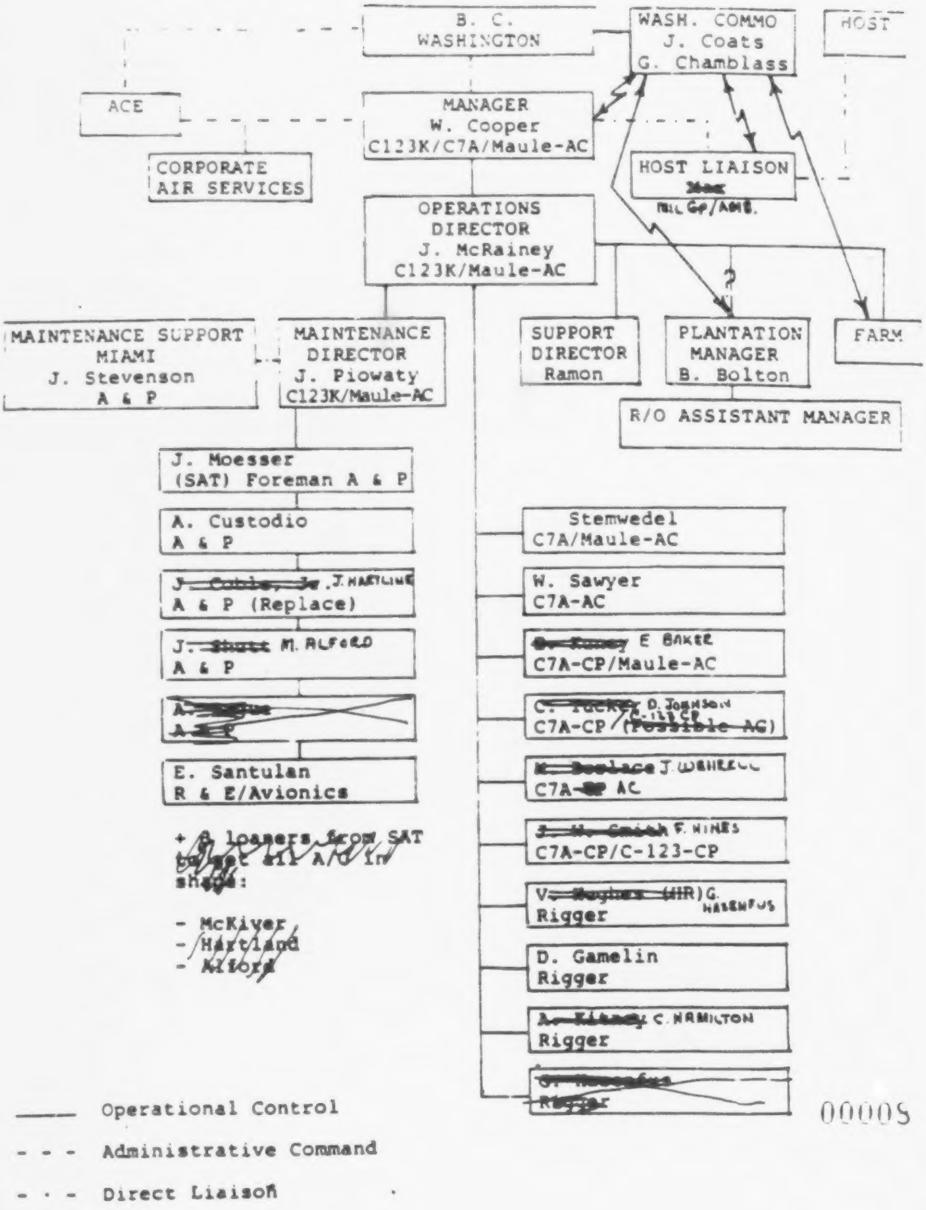
E. Support Director: Because of our dependence on the cooperation and support of the host government, it is necessary that the Support Director work closely with the Host Liaison Officer to interface with the host on a regular basis in their language. Responsibilities include:

1) Keep the Manager informed on all matters pertaining to personnel and site support.

2) In coordination with ACE, establish and monitor contracts for all quarters, transportation, telephones, and domestic support.

3) In coordination with ACE, pay all bills and maintain detailed records of expenditures.

4) Establish and monitor a fuels account with the host Air Force to provide timely fuel support. Keep a detailed account of all fuel expenditures.


B. C.
WASHINGTON
WASH. COMMO
J. Coats
G. Chamblass
HOST
ACE
MANAGER
W. Cooper
C123K/C7A/Maule-AC
CORPORATE
AIR SERVICES
HOST LIAISON
MIL GP/AMB.
OPERATIONS
DIRECTOR
J. McRainey
C123K/Maule-AC
?
MAINTENANCE SUPPORT
MIAMI
J. Stevenson
A & P
MAINTENANCE
DIRECTOR
J. Piowaty
C123K/Maule-AC
SUPPORT
DIRECTOR
Ramon
PLANTATION
MANAGER
B. Bolton
FARM
R/O ASSISTANT MANAGER
J. Moesser
(SAT) Foreman A & P
A. Custodio
A & P
J. ~~Cobble, Jr~~. J. HARTLINE
A & P (Replace)
J. ~~Shutt~~ M. ALFORD
A & P
E. Santulan
R & E/Avionics
+ ~~3 loaners from SAT to get all A/C in shape:~~
- McKiver
- ~~Hartland~~
- ~~Alford~~
Stemwedel
C7A/Maule-AC
W. Sawyer
C7A-AC
E BAKER
C7A-CP/Maule-AC
~~C. Tucker~~ D. JOHNSON
C7A-CP / C-123 CP ~~(Possible AG)~~
J. WEHRELL
C7A- AC
F. HINES
C7A-CP/C-123-CP
V. ~~Hughes (HR)~~ G. HASENFUS
Rigger
D. Gamelin
Rigger
C. HAMILTON
Rigger
Rigger
Operational Control
- - - Administrative Command
- · - Direct Liaison

21 Jul 86

Subject: ASSETS/EXPENDITURES FOR PROJECT HOPE

I Assets:	Cost
a. C-123 (HP-824) N 5677	475,000.
b. C-123 (HP-825)	250,000.
c. C-7 (HP-822)	450,000.
d. C-7 (HP-823)	530,000.
e. Maule (HP-821) N 4410F	60,000.
*f. Warehouse (Llopango) Main bldg. pd. by State, extension paid by us	5,200.
*g. Ramp area for our A/C	5,600.
h. Plantation (West) pers. 192,208; mat. 85,000	502,208.
i. Spare engines (R-2800, R-2000)	84,450.
j. Spare parts	150,000.
k. Parachutes/Rigging	10,000.
l. Radios/Antennas	28,401.
m. Mission Support (Xerox, freezer, refrigs.)	33,886.
n. Long Range Lorans (4)	11,040.
o. NVG's (4)	20,038.
p. Storm Scopes (4)	34,352.
q. Van (1)	5,000.
r. Survival Equipment (10)	4,837.
s. Fuel acct balance (El Salvadorian Air Force)	16,088.
t. Credit w/SAT (have repair bill on HP-824 outstanding)	58,909.
u. Munitions/supplies purchased to date	870,000.
v. Property for Plantation	500,000.
TOTAL	4,089,372.

* Non-recoverable costs

II Recurring Costs:	Tot.Expended A/O July 86	Average Monthly
a. Leases (4 houses & Wash. commo site)		3,412.
b. Leases (3 cars)		1,200.
c. Aircrew, maint. & commo salaries (excluding So. Africans)	218,277.	60,000.
d. Travel	24,606.	6,000.
e. Fuel & Oil	35,000.	12,000.
f. Parts movements	85,789.	
g. Food		3,500.
h. Telephone		1,500.
i. Electricity		150.
j. Drivers & Maids (9) salaries		1,000.
k. Local support (Max / Ramon)		6,000.
III Nonrecurring Costs:		
a. Commercial Operational Support (L-100/2 msns.)		67,017.

INVENTORY OF WAREHOUSE AT ILOPANGO AS OF 22 JULY 1986

HK 21...19
Detonators...2,400
C4/5...362.5 lbs
Prima Cord...5,400mts.
Fuse starter...4500mts
7.62-51...270,000
7.62-39...442,000
7.62-51 Linked...182,500
81MM Shells...1488
60MM Shells...7,975
HGM963...60,510
Uniforms...473
Caps...562
T-Shirts...720
Underwears...921
Belts...456
Pairs Socks...1,640
Boots Pairs...481
Hankerchiefs...441
Canteens...882
Backpacks...481
Poncho Liners...274
Magazine holders...295
Ponchos...475
Military Belts...478
Suspenders...476
Flashlights...452
Batteries...452.

END

The Plantation

RUNWAY: The runway is 6250' x 100' and capable of handling up to a C-130 size A/C. There are turn-around areas at both ends, 170' dia. at SW end and 180' dia. at NE end. The surface is crowned for drainage and dry compacted the full length. The turnaround areas are insufficiently compacted, but adequate at present for all A/C. The entire runway, and turnaround areas in particular, are subject to wind erosion damage. The rainy season began last month, and if this problem is not handled correctly mud may become a problem also. The need for a vigorous and complete maintenance program is paramount. If continued compaction following the early season rains and surface grooming prove inadequate, it may be necessary to apply an asphaltic surface binding material such as Pentaprime.

The NE approach to the runway is obstructed by a small hill and a bend in the valley immediately at the end of the runway. A/C have landed and taken off in this direction, but I would not advise if loaded or limited visibility. The SW approach is completely open.except for some trees which will be cut as time and equipment permit.

One drainage problem area has been identified and steps taken to remedy it. A concrete culvert should have been installed across the runway. Small drainage areas will be identified during the first rains and corrective measures taken.

A/C PARKING/SERVICE AREA: The parking area is at the north midpoint of the runway and is large enough to accommodate three C-123's. The refuel bladders will be located here along with the A/C maintenance and repair facilities. All loading and unloading of cargo will be done here also. Presently the AVGAS available is stored in 55-gal. drums in a GP medium tent at same place where bladders will be located.

BUILDINGS: The main building will be "L" shaped, 160' x 60' x 20' wide. It will contain 1700 ft^2 of warehouse space, an office, a radio room, living/eating area and eight bedroom/offices. The latrine will be 10' x 22' and contain three toilets, sinks and showers, and room for a washer and dryer. The buildings and vehicle parking area are almost entirely under trees. Both buildings were designed to use natural ventilation for cooling with only the radio room requiring an air conditioner, but fans will be needed on the hottest calm days. The buildings should be serviceable by Monday 26 May, with only finish work needed. I will finish the buildings when I return. When the buildings have been completed and the carpenters departed, the facility will be operations capable and finish work can be completed as time permits.

COMMO: At present functional communications are housed in a temporary structure with contacts attempted 1600 hrs local daily. The radio is also monitored sporadically during the day as work schedule permits. P. McCauley did an excellent job of setting up commo that is extremely reliable. The radio will be moved from vicinity the AVGAS where they are now upon building completion.

WATER: Getting water has proved to be a problem. A well was dug to 30' near the building site without finding water. After consulting several knowledgeable locals, it was decided to pipe water 1500 meters across the valley from a constant supply spring. This water will gravity feed to a holding tank and then be pumped to an elevated tank to get the required water pressure.

ROAD: The only way in and out of the site is via the road or light aircraft to the ranch. The Maule would require multiple trips almost daily to meet the transportation needs of the airfield. With careful and constant maintenance during the rainy season, it may be possible to use the road all year; depending on the amount and duration of the rain and how quickly the valley drains.

During heavy prolonged rains, the site will be cut off and thought should be given to using a boat as an alternate means of supply/emergency evacuation. There are all weather roads to the coast north and south of the airfield within range of a small boat with outboard motor.

CURRENT SALARIES:

36 K	Garay	3000.	
	Owens	-0-	
51 K	Stemwedel	4250.	
54 K	Sawyer	4500.	
54 K	Cooper	4500.	Up to 4700. when management is all being covered at Cincinnati, A/C and crews ready, reports on time, manning complete, etc.
51 K	McRainey	4250.	Up to 4400. when training program, NVG, forms, etc. working.
51 K	Piowaty	4250.	Up to 4400. when A/C flying, parts flow and response working.
51 K	Kuney	4250.	
42 K	Hughes	3500.	
30 K	Stevenson	2500.	
27.6K	Custodio	2300.	
30 K	Shutt	2500.	
27.6K	Bague	2300.	
30 K	Coble	2500.	
480 K			
27.6K	Santucan	2300.	
	Moesser	?	
	Alford	?	
36 K	Gamelin	3000.	
36 K	Smith	3000.	
36 K	Host Liaison (Max)	3000.	
20 K	R/O Wash	1666.	
	Bolton	?	Going on contract
	Replaced	?	
	Borlace	?	South Africans
	Tucker	?	

Options:

I Sale of entire operation and assets wherein CIA takes control of the entire operation plus assets valued at approximately $4M. The price would be negotiated at some level below the $4M.

II CIA takes over operational control. We maintain the crews and assets and conduct the operations at the following rates:

C-7 at $1300/hr, minimum of 50 hrs/mo.
C-123 at $1800/hr, minimum of 50 hrs/mo.
Maule at $300/hr, minimum of 50 hrs/mo.

Therefore, the basic cost per month to the CIA would be $311,500 plus additive costs for operations in excess of the 50 hours per month.

Note 1: We prefer option I with the proceeds from the sale going back into a fund for continued similar requirements.

Note 2: With either option, the CIA should know that 4/C-123K's have very recently been delivered to Tucson (MASDIC). These should be procured by CIA as they are probably in good condition and there should be a good spare parts stock with them.

EXHIBIT 5

Balance 7 Feb 86 — 89,000

Deposits	10 Feb	5M
	19 Feb	1M
	18 Feb	5M
		11.089

DEBITS

2/13	Tom Green	35,000	(BP)
2/14	SAT	270,000	(Down payment on 207 project)
2/20	EAST	20,000	Fuel Fund
2/26	EAST	92,448	(35K Fee for Proj 207 + 57,448 for acft's maintenance)
2/26	FRK	2,000	Expenses
[redacted]	[redacted]	[redacted]	[redacted]
2/27	DEFEX	222,000	(Munitions)
2/28	MAULE	4,576	(Spares)
2/10	UBS	1,850,000	(CIA)
2/11	UBS	1,850,000	(CIA)
2/17	Hotel (Israel)	1,584	(phone, hotel)
2/17	Habalim Bank	31,500	(loan for fuel)
2/17	EAST	10,000	(Fee for Dec AK delivery)
2/17	Monteros	10,432	(construction progress pay)
2/17	RRUZ	3,500	15 days of Feb
2/27	RQ	5,000	Feb
2/26	CASH	50,000	(15 to Lisbon; 30 to WEST, 5 TW TO Fr
2/26	SAT	240,000	(For 6 SAT planes for Proj 207)

EXHIBIT
5

2/17	Commercial Tulin SAN JOSE	10,000	(Feb pay)
		4,728,712	
		+ 2,000,000	(CD)
		6,728,712	as of 28 Feb
3/5	Montero	30,000	(3 NOK check for WEST)
3/7	ADAM	100,000	(ISRAEL)
3/8	Montero	10 000	(Cash WEST)
3/16	ACE	29,000	(Salaries)
3/15	Comm Tulin	10,000	(March pay)
3/17	SAT	121,000	(MAR Munitions delivery)
		300,000 subtotal	
		+6728 712	
		7,028,712	Debits as of 18 MARCH
		∴ 4058,288	Cash Balance as of 18 MARCH

ANTICIPATED DISBURSEMENTS MARCH / APRIL

150,000	TO	IAF
150,000	TO	WEST
2,200,000	TO	DEFEX & Shipping
1,000,000	TO	Aircraft
50,000	TO	Salaries
50,000	TO	MEDICAL EXPENSES
200,000	TO	BP
200,000	TO	INSURANCE FUND
141,000	TO	DEFEX
4,141,000		

Honeywell Bull

Reconciliation Sheet

DEBITS

3/20	RQ	10,000	WEST
3/23	CRUZ	10,500	Fab/repair @ ILO
3/27	DEA	15,000	LEB
3/31	MONTERO	28,000	WEST
3/31	RQ	20,000	WEST & NEW house @ ILO PANGO
3/25	ACE	475,000	C123
3/31	SAT	400,000	C-7 procurement
3/31	RQ	5,000	MARCH
3/7	IGFEX	101,000	Balance on 3 APR shipment
	Subtotal	1,124,500	
	∴	2,933,788	Balance 31 MARCH
4/1	RQ	30,000	WEST + ILO PANGO FUEL FARM
4/1	DEFEX	93,120	Operation 707 (phase II)
4/1	Cash	28,000	Delivery of ILO PANGO since 7 APRIL
4/2	ACL	17 602 50	Avionics
	ANTICIPATED	DISBURSEMENTS	APR/MAY/JUNE
• 4/7	DEFEX	280,000	ILO PANGO MUNITIONS
• APR-JUN	Aircraft O/M	650,000	
• APR	IAF 707 A/C	150,000	
• APR	COMMO package	100,000	
• APR	Bow pipes	350,000	
• APR	NGO Supplies and operations	45,000	ILO PANGO
• APR	INSURANCE FUND	200,000	
• 4/9	SAT	120,000	LISBON TO ILO PANGO
• APR-JUN	Monthly Salaries	72,000	
• APR	DEFEX	2,200,000	Shipment of munitions
• ?	Israeli TOWS	822,000	
		4,989,000	∴ $2 million deficit

Continuation Sheet #2

BALANCE 4/9 2,771,066

4/9	SAT	150,000	C140
4/10	EAST	35,000	Commo gear
4/11	SAT	120,000	LLS-120
4/16	ACE/EAST	150,000	salaries/hardware (MERCK)
4/1	RQ	5,000	Salary
4/15	Cruz	7000	Salary
4/15	COMM TRAIN	10000	APR Salary

BALANCE 4/21 (includes 650,000 ext on 4/14) = 2,944,066

4/10	SAT	200000	C123K spares
4/7	DGFOX	136,000	munitions
4/22	Walker	110,000	crew
4/25	IAT	185,000	A/C & fuel
4/25	RQ	5000	Fee
4/25	INS TRUS	200,000	Funeral

Balance 4/25 2078066

Current Obligations

~~4/10~~	~~DGFOX~~	~~280~~	~~LLS-120~~
APR-JUN	O&M	650	
~~4/14~~	~~[illegible]~~	~~140~~	
~~APR~~	~~[illegible]~~	~~150~~	
APR	BP	250	
~~APR~~	~~INS FUND~~	~~200~~	
~~4/10~~	~~SAT~~	~~120~~	~~LLS~~
APR-JUN	Salaries	72	
~~4/10~~	~~SAT~~	~~200~~	~~C123 spares~~
~~APR-JUN~~	~~EAST/ACE~~	~~15~~	

? 15 TONS 82

2,999

APR Xport for 39 27

APR - SAT HP1550 - 1800

APR - 25K BLDG

APR - 31K Monitors

MAY - SAT 55K L10

MAY - ? SAT C-7924

[illegible]

Balance forward 4/25 2 078 066

5/5	Martolola	100,000	[redacted] Radios
5/1	Ship	? 350,000	
5/12	RQ	30 000	Cash for West & 110
5/1	RQ	5000	Salary
5/1	Cruz	7000	Salary
5/15	Coman Tulin	10 000	Salary
5/12	CASH	100 000	Fuel, DEA, ~~EAST~~T, ETC
5/12	(Cash 28K to Robb; 30K to RALPH; 6K to Goode [illegible])		
5/16	Jose Ramon Montero (DHL to Ralph)	32,005	West construction
5/16	SAT	40,000	Fuel Fund
5/16	SAT	50,000	C140 payment
5/14	Mr Haefelin UBS	6.5M	CIA
5/22	CASH	260,000	Action
5/15	CASH	30,000	DEA in GUA
5/15	ACE	102,411.57	— SUCS
5/14	EAST	84,894.58	SUCS
6/3	CASH RQ	10,000	Cincinnati construction
5/24	CASH Fuel, etc	60,000	IRAN OP
6/3	Montero	25,000	W sat

Deposits: 5/14 — 10M
5/16 — 5M
5/16 — 1.460M (owe 260K) fund to Israel)

Current obligations

~~May~~	~~Ship~~	~~340,000~~	
~~May~~	~~ISR~~	~~822,000~~	~~TOWs~~
May	BP	1 000 000	Chile
May-JUN	Salaries	70,000	ACE

[illegible]

Disbursements

5/20 - 410K . SAT
(10 fuel, 50 C140, 350 IEF [illegible])

5/21 450K to DEFSX

5/16 350K DEA

5/29 200K to SAT

Unaccounted For

① 136 K TO DEFEX
Circa 4 APRIL

② ~~2nd monthly payment~~
~~Circa 28 Feb of 21K~~

② 30 vs 35 K for ammo gen

[redacted]

– AUG – 4K to R. Maule

– AUG – 7K TO ON

– AUG – 5K [illegible]

9 SEPT – Authority for $25K TO RNB

9 SEPT – 50,173.29 TO Maule

9 SEPT – 4,000 TO R. Maule

16 SEPT – 9,500 TO Petty cash ←

16 SEPT – $220 TO Bill

17 Sept – 2K TO ON (for petty cash)

17 SEPT – 5K ([illegible]) INDIANS

20 SEPT – T $1M

26 SEPT – $175K to AC (Barclay's Bank [illegible])

[illegible], BAC INT'L BANK credit to alpha SVCS SA, 005-003470-27921

27 SEPT – $25K to AC MIA

30 SEPT – $470 TO OLMSTED (TVL)

5 OCT – 3K – Goode

7 OCT – $80 Olmsted for [illegible] boat trip.

9 OCT – $600 to Rafael for Oliver expenses

8 OCT – 5K to MAULE AIR (check) RNB

15 OCT – 2K Olmsted TVL

15 OCT – 5K Goode

20 OCT – 50,173K to Maule

17 OCT – 4K (RS in GUA)

26 OCT – 9K (RS [illegible]))

28 OCT – 3K to Goode

4 NOV – 150K deposit

15 OCT – 15K Monthly

15 OCT – 5K Monthly

1 OCT – 4K RQ

1 NOV – 4K RQ

12 NOV – $402 RQ Expenses

16 OCT – 5K to Masudi

15 NOV – 5+10K to Pona, at ~~[illegible]~~

13 NOV – 7K to GUS

13 NOV – 43K TO RNB

13 NOV – 20K TO RAB (15K to [illegible])

16 NOV – 5K to Olmsted for Carlos

CR

AUG .195

20 Sep 1.0

10 Oct .1

31 Oct 1.295

∴ ~ 887 balance

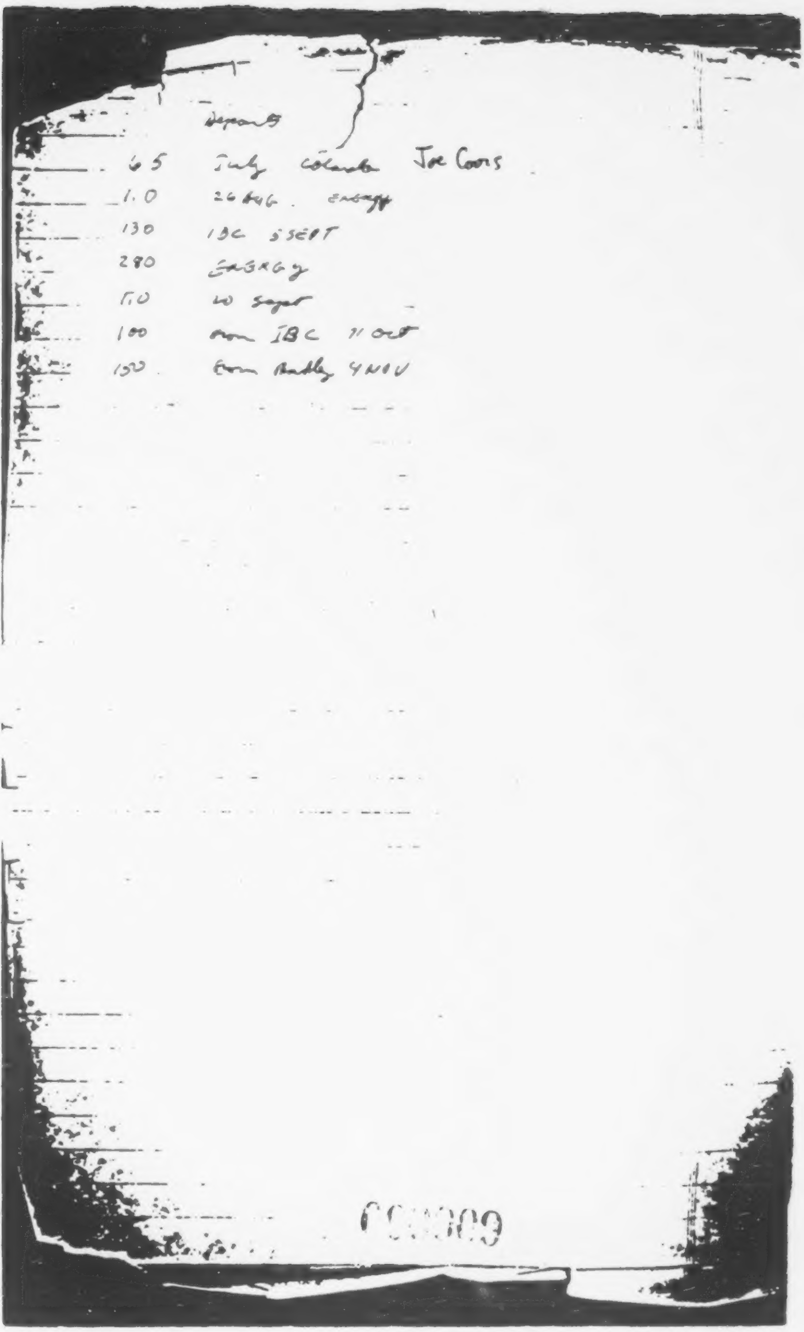
As of 12 NOV

2 CD's @ 1,040

Cash balance

As of 13 NOV

balance of [illegible]



Deposits

65	July Colorado Joe Coors
1.0	26 AUG. Energy
130	IBC 5 SEPT
280	ENERGY
5.0	W Sayer
100	from IBC 11 Oct
150	from Bradley 4 NOV

000009

ALL ACCT 12

Balance 7 Feb 86 — 87,000

Deposits	10 Feb	5M
	19 Feb	1M
	18 Feb	5M
		11.087

DEBITS

2/13	Tony Green	35,000	(BP)
2/14	SAT	270,000	(Downpayment on 707 project)
2/20	EAST	20,000	Fuel Fund
2/26	EAST	92,448	(35K Fee for Proj 707 + 57,440 for aircraft ammunition)
2/26	FRK	2,000	Expenses
[redacted]	[redacted]	[redacted]	[redacted]
2/27	DCFE-X	222,000	(Munitions)
2/28	MAULE	4,576	(Spares)
2/10	UBS	1,850,000	(CIA)
2/11	UBS	1,850,000	(CIA)
2/17	Hotel (Israel)	1,584	(phone, hotel)
2/17	Habalon Bank	31,500	(loan for fuel)
2/17	EAST	19,000	(Fee for Dec Ak delivery)
2/17	Montero	19,432	(construction progress pay)
2/17	RRUZ	3,500	15 days of Feb
2/27	RQ	5,000	Feb
2/26	CASH	50,000	(15 to Lisbon; 30 to WEST, 5 TW TO FR
2/26	SAT	240,000	(For 6 SAT crews for Proj 707)

EXHIBIT

5

2/17	Commercial Tulin SIN JUSG	10,000	(Feb pay)
		4,728,712	
		+ 2,000,000	(CD)
		6,728,712	as of 28 Feb
3/5	Montero	30,000	(3XNOK check for WEST)
3/7	ADAM	100,000	(ISRAEL)
3/8	Montero	10000	(Cash WEST)
3/16	ACE	29,000	(Salaries)
3/15	Comm Tulin	10,000	(March pay)
3/17	SAT	121,000	(MAR Munitions Delivery)

300,000 subtotal
+6728 712
7,028,712 Debits as of 18 MARCH

∴ 4058,288 Cash Balance as of 18 MARCH

~~ANTICIPATED DISBURSEMENTS MARCH / APRIL~~

~~150,000 TO IAF~~
~~150,000 TO WEST~~
~~2,200,000 TO DEFEX & Shipping~~
~~1,000,000 TO Aircraft~~
~~50,000 TO Salaries~~
~~50,000 TO MEDICAL EXPENSES~~
~~200,000 TO BP~~
~~200,000 TO INSURANCE FUND~~
~~141,000 TO DEFEX~~
~~4,141,000~~

Honeywell Bull

[illegible] Sheet

DEBITS

3/20	RQ	10,000	WEST
3/23	CRUZ	10,500	Feb/MARCH @ 7K
3/27	DEA	15,000	LEB
3/31	MONTGRO	28,000	WEST
3/31	RQ	20,000	WEST & NEW Home @ ILO [illegible]
3/28	ACE	475,000	C123
3/31	SAT	400,000	C-7 payment
3/31	RQ	5,000	MARCH
3/7	IGFER	161,000	Balance on 3 [illegible] shipment
	Subtotal	1,124,500	
	∴	2,933,788	Balance 31 MARCH
4/1	RQ	30,000	WEST + [illegible] from final
4/1	DEFEX	93,120	operation 707 (phase 0) Delivery @ ILO PANGO since 7 APR
4/1	Cash	38,000	
4/2	ACL	17 602.50	Avionics

ANTICIPATED DISBURSEMENTS APR/MAY/JUNE

• 4/7	DEFEX	280,000	ILO PANGO Munitions
• APR-JUN	Aircraft O&M	650,000	
• APR	IAF 707 [illegible]	150,000	
• APR	COMMO package	100,000	
• APR	New Pilots	350,000	
• APR	NGO Support and operations	45,000	ILO PANGO
• APR	Insurance Fund	200,000	
• 4/9	SAT	120,000	LISBON TO ILO PANGO
• APR-JUN	Monthly Salaries	72,000	
• APR	DEFEX	2,200,000	Shipment of munitions
• ?	Israeli TOWs	822,000	
		4,989,000	∴ $2 million deficit

Continuation Sheet #2

BALANCE 4/9 2,771,066

4/9	SAT	150,000	C140
4/10	EAST	35,000	Commo gear
4/11	SAT	120,000	LIS-160
4/16	ACE/EAST	150,000	Salaries/hardware (MARCH)
4/1	RQ	5,000	Salary
4/15	Cruz	7000	Salary
4/5	COMM TALIN	10000	APR Salary
	BALANCE	4/21 (includes 650,000+ on 4/14) =	2,944,066
4/10	SAT	200000	C123K spares
4/7	DEFEX	136,000	munitions
4/22	Walker	110,000	crew [illegible]
4/25	IAF	185,000	A/C & fuel
4/25	RQ	5000	Fee
4/25	INS TRUS	200,000	Funeral
	Balance	4/25	2078066

Current Obligations

~~4/10 DEFEX 280 LIS-160~~

APR-JUN O&M 650

~~4/14 D WALKER 110~~

~~APR [illegible] 150~~

APR BP 250

~~APR INS FUND 200~~

~~4/10 SAT 120 LLS~~

APR-JUN Salaries 72

~~4/10 SAT 200 C123 spares~~

~~APR-JUN GAS/ACE 15~~

? 15 TWOS 823

2,994

APR Kpnt for 39 77.

APR - SAT HP1550 - 1800

APR - 25K BLDG

APR - 31K Munitions

MAY - SAT 55K L100

MAY - ? SAT C-7 [illegible]

Balance forward 4/25 2 078 066

5/5	Martolola	100,000	[redacted] Radios
5/1	Ship	? 350,000	
5/12	RQ	30 000	Cash for West [illegible]
5/1	RQ	5000	Salary
5/1	Cruz	7000	Salary
5/15	Coman Tulin	10 000	Salary
5/12	CASH	100 000	Fuel, DEA, EAST, ETC
5/12	(Cash 28K to Robb; 30K to RAFA; 6K to Goode [illegible])		
5/16	Jose Ramon Montero (OML to Rafael)	32,005	West construction
5/16	SAT	40,000	Fuel Fund
5/16	SAT	50,000	C 140 payment
5/14	Mr Haefelin UBS	6.5M	CIA
5/22	CASH	260,000	Adam
5/15	CASH	30,000	DEA in GUA
5/15	ACE	102,411.57	- SUCS
5/14	EAST	84,894.58	SUCS
6/3	CASH RQ	10,000	Cincinnati construction
5/24	CASH Fuel, etc	60,000	IRAN OP
6/3	Montero	25,000	W sat

Deposits: 5/14 — 10M
5/16 — 5M
5/16 — 1.460M (owe 260K) (and to Israel)

Current Obligations

~~May~~	~~- Ship~~	~~300,000~~	
~~May~~	~~- ISR~~	~~822,000~~	~~TOWs~~
May	- BP	1 000 000	Chile
May - Jun	- Salaries	90,000	ACE
[illegible]	[illegible]	[illegible]	

Disbursements

5/20 - 410K SAT
(10 fuel, 50 C140, 350 JEF [illegible])

5/21 450K to DEFEX

5/16 30K DGA

5/29 200K TO SAT

Unaccounted for

① 136 K TO DEFER
Circa 4 APRIL

② ~~2nd monthly payment~~
~~circa 28Feb of 21K~~

② 30 vs 35 K for [illegible]

- AUG - 4K to R. MAHLE
- AUG - 7K TO ON
- AUG - 5K [illegible]

[redacted]

9 SEPT - Authority for $25K TO RNB
9 SEPT - 50,173.29 TO HAKIM
9 SEPT - 4,000 TO R. HAKIM
16 SEPT - 9,500 TO Petty cash
16 SEPT - $270 TO Bill
17 Sept - 2K TO ON (for petty cash)
17 SEPT - 5K ([illegible]) [illegible]
20 SEPT - T $1M
24 SEPT - $175K to AC (Barclay's Bank PA)
BAC INT'L BANK
[illegible], Credit to alpha SVCS SA, 005-003470-27921
27 SEPT - $250,000 to AC MIA
30 SEPT - $470 TO OLMSTED (TVL)
5 OCT - 3K - Goode
7 OCT - $300 Olmsted for Bocoin boat trip.
9 OCT - $600 to Rafael for Oliver expenses
8 OCT - 5K to HAKIM AIR (check) RNB
15 OCT - 2K olmsted TVL
15 OCT - 5K Goode
20 oct - 50,173K to Hakim
17 oct - 41K (RS in [illegible]))
26 oct - 91K (RS [illegible]))
28 oct - 3K to Goode

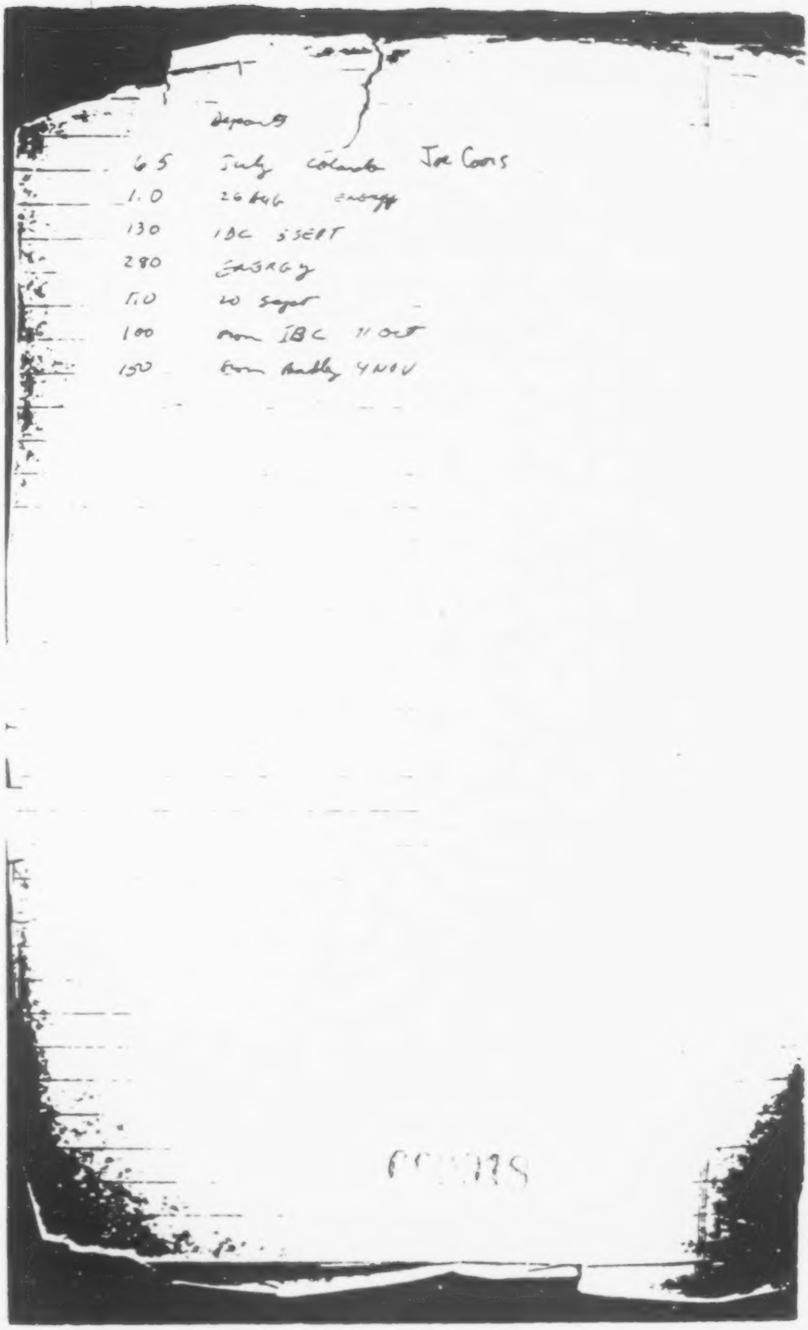
4 NOV - 150K deposit
15 oct - 15K Monthly
15 oct - 5K Monthly
1 oct - 41K RQ
1 NOV - 41K RQ
12 NOV - $402 RQ Expenses
16 oct - 5K to Mazandi
15 NOV - 5K to Pena, at [illegible]
13 NOV - 7K to GUS
13 NOV - 43K TO RNB
13 NOV - 20K TO RNB ([illegible])
16 NOV - 5K to Olmsted for Carlos

CR

Aug .195
20 Sep 1.0
10 oct .1
3 oct 1.245

∴ ~ 887 balance

As of 12 NOV
2 CD's @ 1040
Cash balance
As of 13 NOV
Balance of [illegible]



Deposits

65	July Colorado Joe Coors
1.0	26 Aug energy
130	IBC 5 SEPT
280	ENERGY
5.0	to Sager
100	from IBC 11 Oct
150	from Buckley 4 NOV

Exhibit 6

1.0 GENERAL DESCRIPTION

The KL-43 and KL-43A (hereafter referred to collectively as the KL-43(A)) are portable, electronic off-line encryption/decryption devices comprised of five components --- the KL-43(A) device, acoustic adapter, line patch cord, AC adapter, and carrying case. The KL-43(A) is intended to protect written communications (messages); it provides encryption for these messages for passing over unprotected channels. These encrypted messages can be spoken phonetically over any voice communications media or transmitted electronically over compatible circuits of good quality using the internal modem.

The KL-43(A) provides the following general features:

* Entry and editing of either plain or cipher text.
* Entry, storage, and updating of 16 keys.
* Encryption of plain text.
* Decryption of cipher text.
* Standard centronics printer port.
* Printing of either plain or cipher text (with use of optional printer).
* Relay of a received cipher text message.
* Challenge/reply authentication.
* Conference call capability.

2.0 SYSTEM INFORMATION

2.1 SECURITY

The KL-43(A) is an unclassified Controlled Cryptograhic Item (CCI) and controlled under the provisions of NTISSI 4001. A security clearance is not required for access to the unkeyed KL-43(A); however, access should be restricted to individuals whose duties require such access. The unkeyed KL-43(A) will be afforded reasonable protection against unauthorized access, theft, loss, copy or replication, tampering or unauthorized modification.

When key is loaded for secure KL-43(A) operations, the device assumes the classification of the key (1-16) and will be protected accordingly (see the safeguards and criteria of NACSI No. 4005). For access, users require security clearances commensurate with the classification levels of the keyed KL-43(A) devices and related keying material.

Printers used with the KL-43(A) do not automatically mark printed messages with the level of classification. The operator should use a classification header (see Para 3.3.2) when entering a plain text message to inform the recipient of the message classification.

EXHIBIT 6

REPRODUCED AT GOVERNMENT EXPENSE

The KL-43(A) should not be used if signs of tampering or other insecurities are detected or if the device malfunction --- causing the display to read MALFUNCTION! DO NOT USE (see Para 4.0).

The routine and emergency destruction procedures of NACSI No. 4010 apply to the KL-43(A) and keying material. For routine and emergency destruction, the KL-43(A) and keying material will be treated as classified equipment and material.

The KL-43(A) must be zeroized (see Para 3.3.12) prior to transportation, except when operational use requires it to be delivered to the user in a keyed condition.

2.2 KEYS

Traffic Encryption Keys (keys used to pass operational traffic; also known as TEKs) are delivered to the user on paper tape and are entered by pressing the appropriate keys on the keyboard. Cryptoperiod and supersession information is packaged with each key canister.

The KL-43(A) has a Key Update feature which requires the use of a Traffic Production Key (key used to generate another operational key; also known as a TPK). Use of the Key Update feature requires prior approval by DIRNSA, ATTN: S04.

REPRODUCED AT GOVERNMENT EXPENSE

2.3 POWER REQUIREMENTS

The KL-43(A) operates with either the AC wall adapter provided or on internal battery power. Internal batteries can be either non-rechargeable alkaline cells or rechargeable nickel-cadmium (NICAD) cells. The KL-43 requires four size "AA" cells and the KL-43A requires four size "C" cells. The selector switch in the battery compartment, shown in Appendix A, should be set to indicate whether alkaline or rechargeable batteries are being used.

The NICAD batteries should be recharged using the AC adapter provided. For best results, the batteries should be completely drained (beeping tone) prior to recharging. Full recharge time is approximately 16 hours. It is not necessary to turn the device off to connect the AC adapter. Doing so will clear any message stored in the device.

NOTE: When operating with the AC adapter, the unit must have either alkaline or rechargeable batteries in place.

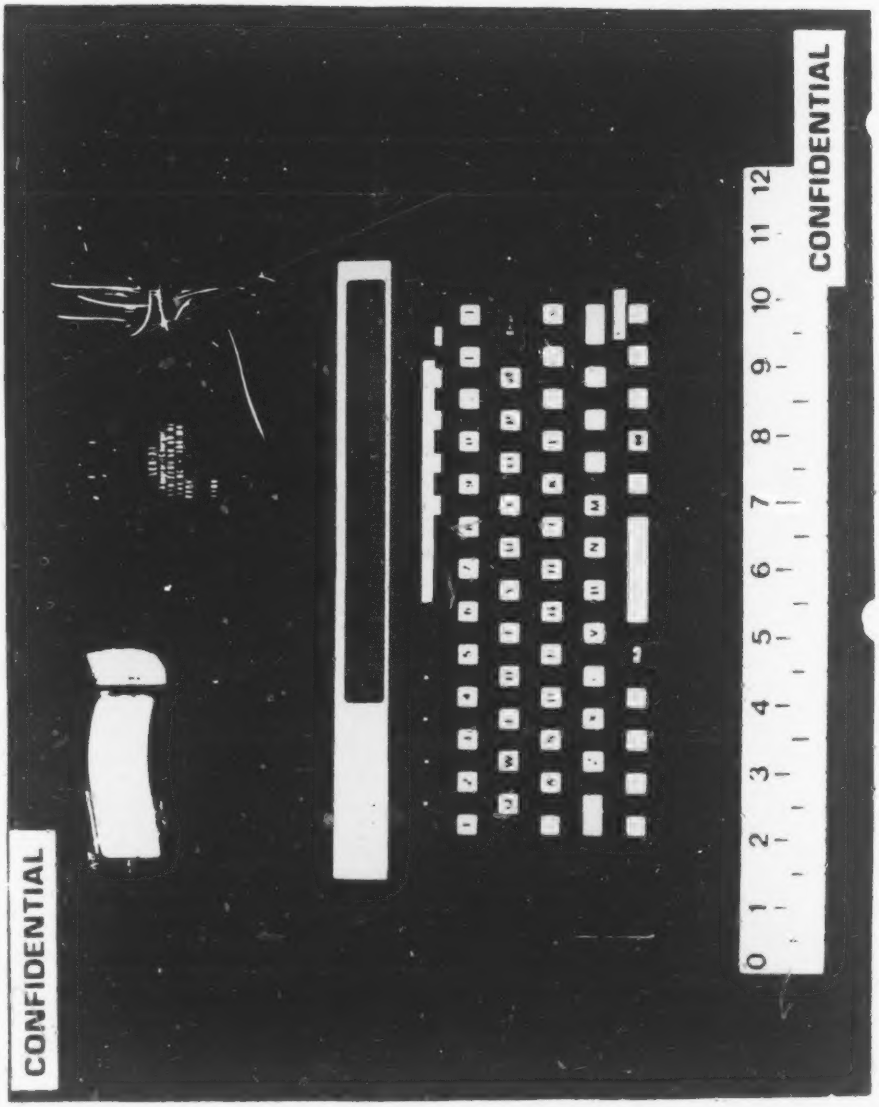

CONFIDENTIAL
CONFIDENTIAL
0 1 2 3 4 5 6 7 8 9 10 11 12

EXHIBIT 7

UNCLASSIFIED

TOP SECRET

N 5603 #56

11/18/86 1930
(Maximum Version)

Bud's comments

U.S./IRANIAN CONT~~ACTS AND~~ THE AMERICAN HOSTAGES

From the earliest months following the Islamic revolution in Iran, the U.S. Government has attempted to reestablish official contact with that government in order to discuss strategic developments in this critical part of the world and reconstruct a working relationship. Even before President Reagan came to office the U.S. Government agreed to try to expand security, economic, political, and intelligence relationships at a pace acceptable to Tehran. In the fall of 1979, the U.S. undertook three secret missions to Tehran:

-- September 1979 -[redacted] (met secretly with Bazargan at the request of the Iranians)

-- October 1979 -[redacted]

-- October-November 1979 -[redacted] (discussed normalization of relations)

When these meetings and the secret November 1, 1979 meeting in Algiers, between Brzezinski and Prime Minister Bazargan, became public in Iran, they helped precipitate the takeover of the U.S. Embassy by radical elements and led to the resignation of the Bazargan government. These events have adversely influenced Iran's subsequent willingness to engage in any direct contact with the USG.

Despite mutual difficulties involved in re-establishing normal relations, our strategic interests in the Persian Gulf mandate persistent efforts to establish a dialogue. In this regard, it is notable that only a few major countries do not have relations with Iran -- Egypt, Jordan, Morocco, Israel, South Africa, and the United States. Even Iraq continues to have diplomatic relations with Iran.

Iran is the key to a region of vital importance to the West, yet it is increasingly threatened by growing Soviet military power and political influence along its borders and inside its territory. Over the course of the last two years, the Soviets and their surrogates have moved actively to gain greater influence in the Gulf:

-- The Soviets believe that once Khomeini dies, they will have an excellent opportunity to influence the formation of a government in Tehran that serves Soviet strategic interests in the area.

TOP SECRET
Declassify: OADR

UNCLASSIFIED

SECRET

EXHIBIT
7

N 2053
12/4/[illegible]

Partially Declassified / Released on 5 May 87
under provisions of E.O. 12356

UNCLASSIFIED

N 5604

-- Communist nations have become the principal arms suppliers to Iran -- making Iran dependent on this source of supply in contending with an increasingly strengthened Iraq. This leads us to the conclusion that the Soviets may well be attempting to pursue their own revolution in Iran. That is, by fueling both sides in the conflict, the Soviets could well encourage a disastrous "final offensive" by Iran that would precipitate a political disintegration in Iran, leaving a power vacuum which the Soviets could exploit. Specifically, the indicators of Communist influence in Iran are:

[redacted]

The increasing desperation brought on by the costs of the Iran-Iraq war has exacerbated Iran's vulnerability to Soviet influence. Moreover, Soviet designs in Afghanistan, pressure on Pakistan, and actual crossborder strikes in Iran from Afghanistan have made reopening a strategic dialogue increasingly important.

TOP SECRET

In short, the Soviets were far better positioned to improve significantly their influence in the region in 1985 when we were presented with an opportunity to open a dialogue with Iran. In deciding to exploit this opening, we evaluated previous efforts through more conventional channels which had not succeeded.

About two years ago, senior Iranian officials apparently decided that some accommodation with the U.S. was necessary. Since 1983, various countries have made overtures to the U.S. and Iran in an effort to stimulate direct contact. [redacted] Pakistan, Switzerland, and Turkey all have attempted to serve as [redacted] However, internal splits and debates made it difficult for the Iranians to respond to these overtures.

Numerous individuals and private parties have likewise attempted to be helpful as intermediaries in establishing contact in Iran or in seeking Iranian assistance in the release of our citizens held hostage in Lebanon. [redacted]

In 1985, a private American citizen (Michael Ledeen) was approached by a representative of the Israeli government (David Kimche), who reported that they had established a liaison relationship with an Iranian expatriate (Manuchehr Ghorbanifar) in Europe who sought Israeli help in establishing contact with the U.S. Government. In acknowledging the need to demonstrate the bonafides of the officials involved, he (Ghorbanifar) indicated that his "sponsors" in Tehran could also help to resolve the American hostage situation in Beirut.

The Israelis analyzed this intermediary's background exhaustively in order to validate his legitimacy. This analysis led them to have extremely high confidence in his standing and genuine relationship to the highest Iranian officials. Based in large part upon the Israeli evaluation and in recognition of the clear U.S. interest in a dialogue that might, over time, lead to the moderation of Iranian policies, the U.S. established an indirect contact with the Iranian intermediary in mid-1985, through the private U.S. citizen and a senior Israeli official. These contacts were established through the National Security Council staff with the full knowledge of appropriate Cabinet officers. From the very first meeting with the Israelis and the Iranian, it was emphasized that the USG could not proceed with direct contact unless Iran renounced terrorism as an instrument of state policy.

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N 5606

In June of 1985, in the midst of the TWA-847 hijacking, the Israeli officials in direct contact with the Iranian expatriate asked him to use his influence with senior Iranian officials to obtain the release of the hijacked passengers. Two days after this approach, four Americans held separately from the rest of the hijacked passengars were freed and turned over to Syrian authorities. [redacted] Majlis [redacted] Speaker Rafsanjani, who was travelling in the mid-east at the time, and Iranian Foreign Minister Velayati both intervened with the captors. Rafsanjani, in his speech on November 4, 1986, for the first time publicly acknowledged his role in this matter.

In July of 1985, the Israelis advised that they believed they were close to achieving a breakthrough in their contact with Iran and would proceed unless we objected. It is important to note that the U.S. had long been aware of Israeli efforts to maintain discreet contact with Iran and that they had in the past provided Iran with assistance in its war with Iraq. Despite long-term U.S. efforts to convince the Israelis to desist, we believe that Israel continued to provide limited military and industrial technology to Iran -- even after they officially told us that such activities had ceased. The USG judged that the Israelis would persist in these secret deliveries, despite our objections, because they believed it to be in their strategic interests.

On August 22, 1985, a senior Israeli official (David Kimche) visited Washington and met with the National Security Advisor. The Israeli asked us to acquiesce in a single Israeli delivery of defensive military materiel to Tehran. He urged that we allow such an action to take place in order to gain increased influence in Tehran. Mr. McFarlane stated that the U.S. could in no way be construed as an "arms for hostages" deal and that there could be no guarantee that whatever items of U.S. origin Israel sent, could be replaced. We were subsequently informed that the Israelis had delivered 508 TOWs at the end of August. Though we were not specifically aware of the shipment at the time it was made we did make a subsequent decision not to expose this Israeli operation so that we would have the option of exploiting existing Israeli channels with Tehran in our own effort to establish an American strategic dialogue with the Iranian government. The Israelis managed this entire operation, to include delivery, arrangements, funding, and transportation. The total value of this shipment was less than $2 million and, therefore, below the threshold for required reporting of a military equipment transfer under the Arms Export Control Act.

On September 14, 1985, Reverend Benjamin Weir was released in Beirut by the Islamic Jihad Organization. This release was preceded by an intense effort on the part of Mr. Terry Waite, the Special Emissary of the Archbishop of Canterbury. To this date, Mr. Waite remains the only Westerner to ever meet directly with the Lebanese kidnappers. [redacted]

TOP SECRET

TOP SECRET

On October 4, 1985, Islamic Jihad announced that it had "executed" Beirut Station Chief William Buckley in retaliation for the October 1 Israeli air raid on PLO installations in Tunis. This announcement led to a series of meetings in Europe among the U.S. (CIA and NSC), Israeli, and Iranian intermediaries. In these meetings, the Iranians indicated that, while their ability to influence the Hizballah was waning, the Hizballah had not killed Buckley; he had in fact died several months earlier of natural causes. We have since substantiated this information in debriefs of Father Jenco and David Jacobsen, both of whom indicate that Buckley probably died on June 3, 1985 of pneumonia-like symptoms.

In late November 1985, the Israelis, responding to urgent entreaties from the Iranians, provided 18 basic HAWK missiles to Iran in order to improve the static defenses around Tehran. The Israeli delivery of HAWK missiles raised U.S. concerns that we could well be creating misunderstandings in Tehran and thereby jeopardizing our objective of arranging a direct meeting with high-level Iranian officials. As a consequence of U.S. initiative and by mutual agreement of all three parties, these missiles were subsequently returned to Israel in February 1986. On December 6-8, 1985, the National Security Advisor met (in London) with the Israeli official and the Iranian contact to make clear the nature of our interest in a dialogue with Iran. At this meeting, Mr. McFarlane stated that our goals were as follows:

- Devising a formula for re-establishing a strategic relationship with Tehran.
- Ending the Iran-Iraq War on honorable terms.
- Convincing Iran to cease its support for terrorism and radical subversion.
- Helping ensure the territorial integrity of Iran and coordinating ways in which we might counter Soviet activities in the region.

Mr. McFarlane made clear that a Western dialogue with Iran would be precluded unless Iran were willing to use its influence to achieve the release of Western hostages in Beirut. He also made clear that we could not and would not engage in trading arms for hostages.

On December 14, the President met in the residence with the Secretaries of State and Defense, the Attorney General, the Director of Central Intelligence and the National Security Advisor to review the findings of Mr. McFarlane's meetings in London, the situation in Iran and the prospects for a strategic dialogue. At this meeting he decided that we should attempt to keep the Israeli channel open as long as it offered possibilities for meetings with high-level Iranian officials.

On January 2, the Prime Minister of Israel dispatched a special emissary to the U.S. (Amiram Nir) to review proposals for next steps in dealing with Iran. In that implementation of the Israeli proposals would require the active participation of the intelligence community, the NSC Staff (North) was tasked to prepare a covert action finding. Work on this Presidential finding convened on January 5 and the document was forwarded to the President on January 15 after it had been reviewed by appropriate NSC officials.

[redacted]

On January 17, 1986, the President approved a covert action Finding directing that the intelligence community proceed with special activities aimed at accomplishing the goals set forth above (Tab A). In accord with extant statutes, the President directed that the Director of Central Intelligence refrain from reporting the Finding to the appropriate committees of the Congress until reasonably sure that the lives of those carrying out the operation (both U.S. and foreign) would not be in jeopardy.

On February 5-7, U.S. officials (NSC and CIA [redacted] a representative of the Israeli Prime Ministry (Amiram Nir), and a senior-level Iranian official [redacted] met in Germany. At this meeting, the Iranians agreed that, if the USG would provide defensive weapons (TOWs) to Iran, [redacted] The U.S. side agreed to explore this possibility and, working with the Israelis, established the following mechanism for transfer of the weapons:

- -- The Iranian intermediary (Ghorbanifar) would deposit funds in an Israeli account.
- -- The Israelis would transfer funds to a sterile U.S.-controlled account in an overseas bank.
- -- Using these funds, the CIA would covertly obtain materiel authorized for transfer from U.S. military stocks and transport this to Israel for onward movement to Iran.

Arrangem [illegible] for [illegible]

Rec'd

Using the procedures stipulated above, funds were deposited in the CIA account in Geneva on February 11, 1986 and on February 14 1,000 TOWs were transported to Israel for pre-positioning. These TOWs were transferred by CIA from DOD (U.S. Army stocks in

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Anniston, Alabama) and transported through [redacted] using standard CIA-DOD [redacted] logistics arrangements. Policy-level coordination for these arrangements was effected by NSC (North) with DOD (Armitage) and CIA (Clair George). The TOWs were placed in a covert Israeli facility awaiting onward shipment.

On February 19-21, U.S. (NSC and CIA), Israeli and Iranian officials met in Germany to discuss problems in arranging a meeting among higher-level officials. At this meeting, the U.S. side agreed to provide 1,000 TOWs to Iran as a clear signal of U.S. sincerity. This delivery was commenced on the morning of February 20 and completed in two transits to Tehran on February 21. Transportation from Israel to Iran was aboard a false flag Israeli aircraft.

[redacted]

On February 28, the Prime Minister of Israel wrote to President Reagan (Tab B) urging continued efforts to achieve a strategic breakthrough with Iran, but asking consideration for the safety of recently seized Israeli hostages.

On March 7, U.S. (CIA and NSC) and Israeli representatives met with the Iranian intermediary in Paris to determine whether any further progress was possible in arranging for a high-level meeting with U.S. and Iranian officials. During these meetings, the intermediary emphasized the deteriorating economic situation in Iran and Iranian anxieties regarding increasing Iraqi military effectiveness.

The escalation of tensions with Libya, leading up to the April 14 strike, prevented further dialogue from taking place until the Iranians urged the intermediary (Ghorbanifar) to accelerate the effort in late April, 1986. At that point, the Iranian expatriate advised us through the Israeli point-of-contact that the leadership in Tehran was prepared to commence a secret dialogue with the United States along the lines of our established goals. We believe that the Iranians were stimulated to renew the contact by the April 17 murder of hostage Peter Kilburn [redacted] in retaliation for the U.S. raid on Libya. [redacted]

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[redacted]

The Iranian expatriate told the NSC and CIA officers, who met with him in Europe at the end of April, that the Iranians did not wish to be accused of any culpability in Kilburn's death.

[redacted]

On May 6, 7, 1986, U.S. and Israeli officers met in London with the Iranian intermediary in which he urged that we take immediate steps to arrange for a high-level U.S./Iranian meeting in Tehran. During the London meeting, the Iranian urged that we (U.S. and Israel) take immediate steps to help with Iranian air defense. He emphasized that the Iraqi Air Force was increasingly effective of late and that the Iranians were desperate to stop attacks on population centers. The Israelis also used this opportunity to privately ask the U.S. to replace the 508 TOWs which they had sent to Iran in August, 1985. The Israelis were informed via coded message on May 15 that the U.S. had agreed to the Iranian request for limited anti-air defense equipment and to replenish the 508 TOWs sent by Israel.

Based on assurances that we could at last meet face-to-face with top-level Iranian officials, on May 15, the President authorized a secret mission to Tehran by former National Security Advisor McFarlane, accompanied by a CIA annuitant, CIA communicators, members of the NSC staff, and the Israeli and Iranian interlocutors.

On May 16, the Iranians, through the Israelis provided $6.5M for deposit in the CIA secure funding mechanism. The funds were used to acquire 508 TOW missiles (for replenishing the TOWs Israel shipped in September 1986) and acquiring HAWK missile spare parts. This material was subsequently moved to [redacted] repackaged and shipped to Kelly AFB for onward movement to Israel on May 22. As in the February shipment, the CIA provided logistics support for the movement of this materiel to Israel.

In order to ensure operational security, the McFarlane trip was made from Israel, coincident with the delivery of a pallet of spare parts for Iranian defensive weapons systems (HAWK spare electronic parts). At the specific request of the Iranians, alias foreign documentation [redacted] obtained from the CIA -- was used. CIA also provided covert transportation support from CONUS to Israel for the McFarlane party. The group was transported from Israel to Tehran aboard an Israeli Air Force 707 with false flag markings.

TOP SECRET

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In the course of the four-day (May 25-29) visit, lengthy meetings were held with high-level Iranian officials, the first direct contact between the two governments in over six years. Mr. McFarlane and his team were able to establish the basis for a continuing relationship and clearly articulate our objectives, concerns, and intentions. The group was also able to assess first hand the internal political dynamic in Tehran and the effect of the war which Iran clearly can no longer win. Using Presidentially approved Terms of Reference (Tab B), which had been reviewed and approved by appropriate Cabinet officers, McFarlane emphasized that our interest in Iran transcended the hostages, but the continued detention of hostages by a Lebanese group philosophically aligned with Iran prevented progress. During the visit, Mr. McFarlane made clear:

-- that we fundamentally opposed Iranian efforts to expel us from the Middle East;

-- that we firmly opposed their use of terrorism;

-- that we accepted their revolution and did not seek to reverse it;

-- that we had numerous other disagreements involving regional policies (i.e., Lebanon, Nicaragua, etc.), but might also find areas of common interest (i.e., Afghanistan) through dialogue.

During these meetings, both sides used the opportunity to detail the obstacles to implementing a strategic relationship between the two countries. In addition to the points noted above, Mr. McFarlane emphasized the political problems caused by Iranian involvement in the hostage issue. The Iranians objected to the USG embargo on U.S. military supplies already paid for plus the continued USG blocking of Iranian assets in the U.S., even after U.S. courts had ruled in their favor. During the course of these meetings, the Iranian officials admitted that they could not win the war, but were in a dilemma in Tehran over how to end the conflict given the need to present an Iranian "victory" before it could be concluded. They emphasized that the original aggressor, Saddam Hussein, must be removed from power in order for the war to end. Mr. McFarlane concluded the visit by summarizing that notwithstanding Iranian interest in carrying on with the dialogue, we could not proceed with further discussions in light of their unwillingness to exert the full weight of their influence to cause the release of the Western hostages in Lebanon.

On June 10, Majlis Speaker Rafsanjani, in a speech in Tehran made guarded reference to Iranian interest in improved relations with the U.S. On July 26, Father Lawrence Jenco was released in the Bekka Valley and found his way to a Syrian military checkpoint.

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On August 3, the remaining three pallets (less than ½ planeload) of electronic parts for Iranian anti-aircraft defenses (HAWK missile sub-components) arrived in Tehran. As in all flights to/from Iran this delivery was made with an Israeli Air Force aircraft (707) using false flag markings. Timing of the delivery was based on coordination among U.S., Israeli and Iranian officials.

In early August 1986, the contact with the Iranian expatriate began to focus exclusively on the willingness of the USG to provide military assistance to Iran in exchange for hostages and we sought to establish different channels of communication which would lead us more directly to pragmatic and moderate elements in the Iranian hierararchy. In mid-August, a private American citizen (MGEN Richard Secord, USAF [Ret.]) acting within the purview of the January Covert Action Finding, made contact in Europe with [redacted] a relative [redacted] of a senior Iranian official (Rafsanjani). With the assistance of the CIA, this Iranian [redacted] was brought covertly to Washington for detailed discussions. We judged this effort to be useful in establishing contact with a close confidant of the man judged to be the most influential and pragmatic political figure in Iran (Rafsanjani). These discussions reaffirmed the basic objectives of the U.S. in seeking a political dialogue with Tehran. We also provided intelligence designed to discourage an Iranian offensive and contribute to an Iranian decision to negotiate an end to the war. The intelligence also detailed the Soviet threat to Iran.

Through August, September, and October 1986, numerous additional meetings were held in Europe between U.S. representatives and the new and Iranian contacts. During the October 26, 1986 meeting in Frankfurt, Germany, the U.S. side, as in the past, insisted that the release of the hostages was a pre-requisite to any progress. The Iranian, [redacted] urged that we take a more active role in support for the Afghan resistance [redacted] The Iranians also proffered, and the U.S. accepted, the offer of a Soviet T-72 tank [redacted] At this meeting, [redacted] stated that there was a "very good chance that another American or two would be freed soon." On October 29, with U.S. acquiscence, Israel provided Iran with an additional increment of defensive weapons (500 TOW missiles).

Late on October 31 [redacted] called the U.S. citizen (Hakim) tasked to maintain contact and advised that Iran had "exercised its influence with the Lebanese" in order to obtain the release of an American -- David Jacobsen -- and an uncertain number of French hostages. He further noted that this would be

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part of the purpose of the Iranian Foreign Minister's visit to Syria -- an event we became aware of on November 1, 1986. [redacted] stated that the situation in Tehran, as well as Iranian influence over Hizballah were both deteriorating; [redacted] On November 2, David Jacobsen was released by his captors near the old American Embassy compound in West Beirut. The U.S. Embassy in East Beirut immediately dispatched an embassy officer to West Beirut to pick up Mr. Jacobsen.

It is now apparent that persistent U.S. efforts to establish contact with Iran and subsequent public speculation regarding these contacts have probably exacerbated the power struggle in Iran between pragmatic elements (led by Rafsanjani) and more radical factions (under the overall sponsorship of Ayatollah Montazeri). In late October, radical supporters (of Montazeri) revealed the (Rafsanjani) contact with the USG and the terms of the contact. In order to defend himself against charges of colluding with the USG and to preserve a degree of latitude for both parties, Majlis Speaker Rafsanjani provided a purposely distorted version of the May 1986 McFarlane mission in his November 4 address to the masses. Moderate Iranian political leaders apparently now feel constrained to settle their internal political problems before proceeding with the U.S. relationship. The revelations in Tehran regarding the McFarlane mission are demonstrable evidence of the internal power struggle. The October 1986 arrest of radical leader Mehdi Hashemi, a close confidant and son in-law of Ayatollah Montezari, for acts of terrorism and treason has caused further internal conflict.

Resolution of the Lebanon hostage situation is also complicated by waning Iranian influence in Lebanon due in part to financial constraints and the fact that the Libyans are expanding their contacts with more radical Hizballah elements. [redacted]

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[redacted] Despite these internal difficulties and attendant publicity in the Western media, the Iranians continue to maintain direct contact with the USG and met again in Geneva on November 9-10 with NSC and CIA representatives. [redacted]

[illegible]

It is important to note that since the initiation of the USG contact with Iran there has been no evidence of Iranian government complicity in acts of terrorism against the U.S. We believe that the September-October kidnappings of Messers. Reed, Cicippio, and Tracy were undertaken in an effort to undermine the nascent U.S.-Iranian strategic dialogue and exacerbate the internal Iranian power struggle against the moderate faction with which we have been in contact. [redacted] Contrary to speculative reports that these hostages were taken in order to stimulate the acquisition of more arms, they were most likely captured in order to prevent the very rapproachment with Iran we are seeking.

Throughout this process, the USG has acted within the limits of established policy and in compliance with all U.S. law. The shipment of 2,008 U.S. TOWs and 235 HAWK missile parts was undertaken under the provisions of a covert action Finding.

During the course of this operation -- and before -- the U.S. was cognizant of only two shipments from Israel to Iran. Specifically,

-- The Israelis acknowledged the August 1985 shipment of 508 TOWs after it had taken place. Until we were advised by the Israelis, and had the information subsequently confirmed by Iranian authorities, we were unaware of the composition of the shipment. We subsequently agreed to replace these TOWs in May of 1986.

-- The October 1986 shipment of 500 TOWs from Israel to Iran was undertaken with U.S. acquiescence. These TOWs were replaced on November 7.

-- The November 1985 shipment of 8 Israeli HAWK missiles was not an authorized exception to policy. This shipment was eventually retrieved in February 1986 as a consequence of U.S. intervention.

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In support of this Finding and at the direction of the President, the CIA provided the following operational assistance:

- [illegible] S[redacted] for financial transactions.
- A secure transhipment point for the dispatch of U.S. military items from the U.S.
- Transhipment of military items from the U.S. to Israel.
- Communications and intelligence support for the meetings with Iranian officials and the McFarlane trip to Tehran in May.
- Cleared meeting sites in Europe for meetings with Iranian officials.
- Alias documentation for U.S. and foreign officials for meetings in Europe and Tehran.

The weapons and materiel provided under this program were judged to be inadequate to alter either the balance of military power or the outcome of the war with Iraq. They have, however, [redacted] demonstrated the U.S. commitment to Iranian territorial integrity and served to support those in Iran interested in opening a strategic relationship with the U.S. They have also furthered U.S. efforts over the last 18 months have had tangible results on Iranian policy:

- The Rafsanjani/Velayati intervention on behalf of the TWA #847 passengers (June 1985).
- Iranian direction that the hijacked Pan Am #73 would not be received in Iranian territory if it left Karachi.
- [redacted]
- **The release of three American and at least two French hostages.**
- **The initiation of an Iranian dialogue with their regional neighbors.**
- The Iranian "final offensive."

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Finally, it must also be noted that the U.S. arms embargo notwithstanding, West European nations have provided $500 million a year in military equipment to Iran. Most of these transfers were accomplished with government knowledge and/or acquiescence.

All appropriate Cabinet Officers have been apprised throughout. The Congress was not briefed on the covert action Finding due to the extraordinary sensitivity of our Iranian contacts and the potential consequences for our strategic position in Southwest Asia. Finally, our efforts to achieve the release of the hostages in Lebanon must continue to rely on discreet contacts and intermediaries who cannot perform if they are revealed.

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(Historical Chronology)

U.S./IRANIAN CONTACTS AND THE AMERICAN HOSTAGES

From the earliest months following the Islamic revolution in Iran, the U.S. Government has attempted to reestablish official contact with that government in order to discuss strategic developments in this critical part of the world and reconstruct a working relationship. Even before President Reagan came to office the U.S. Government agreed to try to expand security, economic, political, and intelligence relationships at a pace acceptable to Tehran. In the fall of 1979, the U.S. undertook three secret missions to Tehran:

-- September 1979 - [redacted] (met secretly with Bazargan at the request of the Iranians)

-- October 1979 - [redacted]

-- October-November 1979 - [redacted] (discussed normalization of relations)

When these meetings and the secret November 1, 1979 meeting in Algiers, between Brzezinski and Prime Minister Bazargan, became public in Iran, they helped precipitate the takeover of the U.S. Embassy by radical elements and led to the resignation of the Bazargan government. These events have adversely influenced Iran's subsequent willingness to engage in any direct contact with the USG.

Despite mutual difficulties involved in re-establishing normal relations, our strategic interests in the Persian Gulf mandate persistent efforts to establish a dialogue. In this regard, it is notable that only a few major countries do not have relations with Iran -- Egypt, Jordan, Morocco, Israel, South Africa, and the United States. Even Iraq continues to have diplomatic relations with Iran.

Iran is the key to a region of vital importance to the West, yet it is increasingly threatened by growing Soviet military power and political influence along its borders and inside its territory. Over the course of the last two years, the Soviets and their surrogates have moved actively to gain greater influence in the Gulf:

-- The Soviets believe that once Khomeini dies, they will have an excellent opportunity to influence the formation of a government in Tehran that serves Soviet strategic interests in the area.

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Partially Declassified/Released on 5 May 87
under provisions of E.O. 12356
by [illegible] National Security Council

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-- Communist nations have become the principal arms suppliers to Iran -- making Iran dependent on this source of supply in contending with an increasingly strengthened Iraq. This leads us to the conclusion that the Soviets may well be attempting to pursue their own revolution in Iran. That is, by fueling both sides in the conflict, the Soviets could well encourage a disastrous "final offensive" by Iran that would precipitate a political disintegration in Iran, leaving a power vacuum which the Soviets could exploit. Specifically, the indicators of Communist influence in Iran are:

[redacted]

The increasing desperation brought on by the costs of the Iran-Iraq war has exacerbated Iran's vulnerability to Soviet influence. Moreover, Soviet designs in Afghanistan, pressure on Pakistan, and actual crossborder strikes in Iran from Afghanistan have made reopening a strategic dialogue increasingly important.

In short, the Soviets were far better positioned to improve significantly their influence in the region in 1985 when we were presented with an opportunity to open a dialogue with Iran. In deciding to exploit this opening, we evaluated previous efforts through more conventional channels which had not succeeded.

About two years ago, senior Iranian officials apparently decided that some accommodation with the U.S. was necessary. Since 1983, various countries have been engaged in overtures to the U.S. and Iran in an effort to stimulate direct contact between the two countries. [redacted] Turkey have all attempted to serve as interlocutors in this [redacted] However, internal splits and debates made it difficult for the Iranians to respond to these overtures.

Numerous individuals and private parties have likewise attempted to be helpful as intermediaries in establishing contact in Iran or in seeking Iranian assistance in the release of our citizens held hostage in Lebanon. [redacted]

In the spring of 1985, a private American citizen (Michael Ledeen) learned from an Israeli government official (David Kimche) that the Israelis had established a liaison relationship with an Iranian expatriate (Manuchehr Ghorbanifar) in Europe who sought Israeli help in establishing contact with the U.S. Government. In acknowledging the need to demonstrate the bonafides of the Iranian officials involved, he (Ghorbanifar) indicated that his "sponsors" in Tehran could also help to resolve the American hostage situation in Beirut.

In June of 1985, in the midst of the TWA-847 hijacking, the Israeli officials in direct contact with the Iranian expatriate asked him to use his influence with senior Iranian officials to obtain the release of the hijacked passengers. Two days after this approach, four Americans held separately from the rest of the hijacked passengers were freed and turned over to Syrian authorities. [redacted] Majlis Speaker Rafsanjani, who was travelling in the mid-east at the time, and Iranian Foreign Minister Velayati both intervened with the captors. Rafsanjani, in his speech on November 4, 1986, for the first time publicly acknowledged his role in this matter.

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- On July 3, 1985, during a visit to Washington, an Israeli official (Kimche) advised National Security Advisor, Robert McFarlane, that Israel had established a channel of communication with authoritative elements in Iran who were interested in determining whether the United States was open to a discreet, high-level dialogue. The Iranians were described as comprising the principal figures of the government (i.e., Speaker of the Majlis Rafsanjani, Prime Minister Musavi, and Khomeini's heir-apparent, Ayatollah Montazeri) and as being devoted to a reorientation of Iranian policy.

At this first meeting, McFarlane went to great length to draw out the Israeli as to why he found the Iranian proposal credible, given the events of the past six years. The Israeli replied that their exhaustive analysis had gone beyond the surface logic deriving from the chaos and decline within Iran and the degenerative effects of the war, to more concrete tests of the willingness of the Iranians to take personal risks. He noted that the Iranians had exposed themselves to possible compromise by meeting with Israelis and by passing extremely sensitive intelligence on the situation (and political line-up) within Iran -- information which was proven valid.

The Israeli asked for our position on opening such a dialogue. No mention was made of any pre-conditions or Iranian priorities. McFarlane conveyed this proposal to the President (in the presence of the Chief of Staff). The President said that he believed such a dialogue would be worthwhile at least to the point of determining the validity of the interlocutors. This decision was passed to the Israeli diplomat by telephone on July 30.

On August 2, 1985, the Israeli called again on McFarlane. At this meeting, he stated that he had conveyed our position to the Iranian intermediary and that the Iranians had responded that they recognized the need for both sides to have tangible evidence of the bona fides of the other and that they believed they could affect the release of the Americans held hostage in Lebanon.

According to the Israeli, the Iranians separately stated that they were vulnerable as a group and before having any prospect of being able to affect change within Iran they would need to be substantially strengthened. To do so, they would need to secure the cooperation of military and/or Revolutionary Guard leaders. Toward this end, they expressed the view that the most credible demonstration of their influence and abilities would be to secure limited amounts of U.S. equipment. The Israeli asked for our position on such actions.

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Mr. McFarlane elevated this proposition to the President at a meeting within days that included the Secretaries of State and Defense and the Director of Central Intelligence. The President stated that, while he could understand that assuming the legitimacy of the interlocutors, they would be quite vulnerable and ultimately might deserve our support to include tangible materiel; at the time, without any first hand experience in dealing with them, he could not authorize any transfers of military materiel. This was conveyed to the Israeli.

On August 22, 1985, the Israeli diplomat called once more to report that the message had been conveyed and that an impasse of confidence existed. He asked what the position of the U.S. Government would be to an Israeli transfer of modest quantities of defensive military materiel. McFarlane replied that to him, such an action would represent a distinction without a difference. The Israeli diplomat explained at great length that Israel had its own policy interests that would be served by fostering such a dialogue in behalf of the U.S., but that a problem would arise when ultimately they needed to replace items shipped. He asked whether Israel would be able to purchase replacements for items they chose to ship. McFarlane stated that the issue was not the ability of Israel to purchase military equipment from the U.S. -- they had done so for a generation and would do so in the future -- but rather the issue was whether it was U.S. policy to ship or allow others to ship military equipment to Iran. The Israeli asked for a position from our government. McFarlane elevated the question to the President (and to the Secretaries of State and Defense and the Director of Central Intelligence). The President stated that, while he could envision providing materiel support to moderate elements in Iran if all the Western hostages were freed, he could not approve any transfer of military materiel at that time. This position was conveyed to the Israeli diplomat.

On September 14, 1985, Reverend Benjamin Weir was released in Beirut by the Islamic Jihad Organization. This release was preceded by an intense effort on the part of Mr. Terry Waite, the Special Emissary of the Archbishop of Canterbury. To this date, Mr. Waite remains the only Westerner to ever meet directly with the Lebanese kidnappers. [redacted]

In late September, we learned that the Israelis had transferred 508 TOW missiles to Iran and that this shipment had taken place in late August. The Israelis told us that they undertook the action, despite our objections, because they believed it to be in their strategic interests. The Israelis managed this entire operation, to include delivery arrangements, funding, and transportation. After discussing this matter with the President, it was decided not to expose this Israeli delivery because we wanted to retain the option of exploiting the existing Israeli channel with Tehran in our own effort to establish a strategic dialogue with the Iranian government. The total value of the 508 TOWs shipped by Israel was estimated to be less than $2 million.

On October 4, 1985, Islamic Jihad announced that it had "executed" Beirut Station Chief William Buckley in retaliation for the October 1 Israeli air raid on PLO installations in Tunis. This announcement led to a series of meetings in Europe among the U.S. (CIA and NSC), Israeli, and Iranian intermediaries. In these meetings, the Iranians indicated that, while their ability to influence the Hizballah was waning, the Hizballah had not killed Buckley; he had in fact died several months earlier of natural causes. We have since substantiated this information in debriefs of Father Jenco and David Jacobsen, both of whom indicate that Buckley probably died on June 3, 1985 of pneumonia-like symptoms.

In mid-November, the Israelis, through a senior officer in the Foreign Minister's office (Kimche), indicated that the Government of Israel was convinced that they were nearing a breakthrough with Iran on a high-level dialogue. The Israeli contacted a U.S. official (North) and asked for the name of a European-based airline which could discreetly transit to Iran for the purpose of delivering passengers and cargo. He specifically noted that neither a U.S. carrier nor an Israeli affiliated carrier could be used. We were assured, at the time, that the Israelis were going to "try oil drilling parts as an incentive," since we had expressed so much displeasure over the earlier TOW shipment. The name of the proprietary [redacted] was passed to the Israeli, who subsequently had the aircraft chartered through normal commercial contract for a flight from Tel Aviv to Tabriz, Iran, on November 25, 1985. The Israelis were unwitting of the CIA's involvement in the airline and the airline was paid at the normal commercial charter rate (approximately $127,700). The airline personel were also unwitting of the cargo they carried.

In January, we learned that the Israelis, responding to urgent entreaties from the Iranians, has used the proprietary aircraft to transport 18 HAWK missiles to Iran in an effort to improve the static air defenses around Tehran. Our belated awareness that the Israeli's had delivered HAWK missiles raised serious U.S. concerns that these deliveries were jeopardizing our objective of arranging a direct meeting with high-level Iranian officials. As a consequence of U.S. initiative and by mutual agreement of all three parties, these missiles were returned to Israel in February 1986.

On December 7, the President convened a meeting in the White House (residence) to discuss next steps in our efforts to establish direct contact with the Iranians. Attending the meeting were the Chief of Staff, Secretaries of State and Defense, the Deputy Director of Central Intelligence, and the Assistant to the President for National Security Affairs and his Deputy. Immediately after the meeting, Mr. McFarlane departed for London to meet with the Israeli official and the Iranian contact to make clear the nature of our interest in a dialogue with Iran. At this meeting, Mr. McFarlane, as instructed by the President, stated that:

-- the U.S. was open to a political dialogue with Iran, but that no such dialogue could make progress for as long as groups seen as dominated by Iran held U.S. hostages; and

-- the U.S. could under no circumstances transfer arms to Iran in exchange for hostages.

These points were made directly to the Iranian interlocutor. The Iranian replied that, unless his associates in Tehran were strengthened, they could not risk going ahead with the dialogue. Mr. McFarlane acknowledged the position but stated we could not change our position. In a separate meeting with the Israeli official, Mr. McFarlane made clear our strong objections to Israeli weapons shipments to Iran. Following these meetings, Mr. McFarlane returned to Washington and shortly thereafter left active government service.

On January 2, the Prime Minister of Israel dispatched a special emissary to the U.S. (Amiram Nir) to review proposals for next steps in dealing with Iran. The Israelis urged that we reconsider the issue of providing limited defensive arms to those attempting to take power in Tehran, since all other incentives (economic assistance, medical supplies, machine parts) were of no value in shoring-up those who wanted an opening to the West. Admiral Poindexter noted our stringent objections to the HAWK missile shipments in November and noted that the U.S. would have to act to have them returned (a step undertaken in February, when all 18 missiles were returned to Israel). In that any implementation of the Israeli proposals would require the active participation of the intelligence community, the NSC Staff (North) was tasked to prepare a covert action finding. Work on this Presidential finding commenced on January 4.

On January 6, the President, the Vice President, the Chief of Staff, and the National Security Advisor and his assistant reviewed the first draft of the Finding and the recommendations made by the Prime Minister of Israel through his special emissary.

On January 7, the President met in the Oval Office with the Vice President, the Chief of Staff, Secretaries Shultz and Weinberger, Attorney General Meese, Director Casey, and the National Security

Advisor to discuss the overall situation in Iran and prospects for a strategic dialogue. It was again noted that Mr. McFarlane, on return from his trip to London, had recommended that no further action be taken unless a mechanism could be established by which the U.S. could exert better control over events. He agreed, in principle, with Director Casey that providing limited quantities of defensive arms after the hostages were released still had merit. Both Secretary Shultz and Secretary Weinberger objected to any provision of arms, citing that we could not be sure that these would really help moderate elements and that, if exposed, the project would not be understood by moderate Arabs and would be seen as contravening our policy of not dealing with states that support terrorism. The President decided that we should attempt to keep the Israeli channel active as long as it offered possibilities for meetings with high-level Iranian officials and left open the issue of providing defensive arms to Iran if all the hostages were released.

It was further determined by the President that any dialogue with the Iranians must be aimed at achieving the following goals:

-- Devising a formula for re-establishing a strategic relationship with Tehran.

- Ending the Iran-Iraq War on honorable terms.

- Convincing Iran to cease its support for terrorism and radical subversion.

- Helping ensure the territorial integrity of Iran and coordinating ways in which we might counter Soviet activities in the region.

The President made clear that a Western dialogue with Iran would be precluded unless Iran were willing to use its influence to achieve the release of Western hostages in Beirut. He also made clear that we could not and would not engage in trading arms for hostages. Secretaries Shultz and Weinberger retained their original position on providing any amrs to Iran, but Attorney General Meese and Director Casey both supported the concept as a valid means of opening the dialogue. Attorney General Meese noted a 1981 determination by then Attorney General French Smith that transferring small quantities of arms through third countries under a Covert Action Finding was not illegal.

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On January 16, a meeting was held in the National Security Advisor's office with Secretary Weinberger, Attorney General Meese, Director Casey, and CIA General Counsel Stanley Sporkin. At this meeting, the final draft of the Covert Action Finding was reviewed and was forwarded to the President with Secretary Weinberger dissenting.

On January 17, 1986, the President approved a Covert Action Finding (Tab A) directing that the intelligence community proceed with special activities aimed at accomplishing the goals set forth above. The President futher determined that the activities authorized by the Finding justified withholding prior Congressional notification due to the extreme sensitivity of the dialogue being established. He further noted that public knowledge of the program would place the American hostages in Lebanon at greater risk. Noting his concern for the lives of those carrying out the operation (both U.S. and foreign), he directed that the Director of Central Intelligence refrain from reporting the Finding to the appropriate committees of the Congress until reasonably sure that those involved would no longer be in jeopardy.

On February 5-7, U.S. officials (NSC and CIA [redacted] a representative of the Israeli Prime Ministry (Amiram Nir), and a senior-level Iranian official [redacted]

B. [redacted]-et in London. At this meeting, the Iranians agreed that, if the USG would provide defensive weapons (TOWs) to Iran, [redacted] The U.S. side agreed to explore this possibility and, working with the Israelis, established the following mechanism for transfer of the weapons:

-- The Iranian intermediary (Ghorbanifar) would deposit funds in an Israeli account.

-- The Israelis would transfer funds to a sterile U.S.-controlled account in an overseas bank.

-- Using these funds, the CIA would covertly obtain materiel authorized for transfer from U.S. military stocks and transport this to Israel for onward movement to Iran.

Using the procedures stipulated above, $3.7 million was deposited in the CIA account in Geneva on February 11, 1986 and on February 14, 1,000 TOWs were transported to Israel for pre-positioning. These TOWs were transferred by CIA from DOD (U.S. Army stocks in Anniston, Alabama) and transported through [redacted] using standard CIA-DOD [redacted] logistics arrangements. Policy-level coordination for these arrangements was effected by NSC (North) with DOD (Armitage) and CIA (Clair George). The TOWs were placed in a covert Israeli facility awaiting onward shipment.

On February 19-21, U.S. (NSC and CIA), Israeli and Iranian officials met in Germany to discuss problems in arranging a meeting among higher-level officials. At this meeting, the Iranians committed [redacted] After coded authorization was received from Washington, the U.S. side agreed to provide 1,000 TOWs to Iran as a clear signal of U.S. sincerity. This delivery was commenced on the morning of February 20 and completed in two transits to Tehran on February 21. Transportation from Israel to Iran was aboard a false flag Israeli aircraft. On the return flight from Iran, these aircraft carried the 18 HAWK missiles which Israel had sent to Tehran in November 1985 with USG aforeknowledge.

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On February 24, U.S. (CIA and NSC) officials met again in Frankfurt with the Israeli and Iranian officials to discuss next steps. At this meeting, the U.S. side urged that the Iranians expedite a meeting among higher-level officials on both sides.

On February 28, the Prime Minister of Israel wrote to President Reagan (Tab B) urging continued efforts to achieve a strategic breakthrough with Iran, but asking consideration for the safety of recently seized Israeli hostages.

On March 7, U.S. (CIA and NSC) and Israeli representatives met with the Iranian intermediary in Paris to determine whether any further progress was possible in arranging for a high-level meeting with U.S. and Iranian officials. During these meetings, the intermediary emphasized the deteriorating economic situation in Iran and Iranian anxieties regarding increasing Iraqi military effectiveness.

The escalation of tensions with Libya, leading up to the April 14 strike, prevented further dialogue from taking place until the Iranians urged the intermediary (Ghorbanifar) to accelerate the effort in late April, 1986. At that point, the Iranian expatriate advised us through the Israeli point-of-contact that the leadership in Tehran was prepared to commence a secret dialogue

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with the United States along the lines of our established goals. We believe that the Iranians were stimulated to renew the contact by the April 17 murder of hostage Peter Kilburn [redacted] in retaliation for the U.S. raid on Libya. [redacted] The Iranian expatriate told the NSC and CIA officers, who met with him in Europe at the end of April, that the Iranians did not wish to be accused of any culpability in Kilburn's death. [redacted]

On May 6, 7, 1986, U.S. and Israeli officers met in London with the Iranian intermediary in which he urged that we take immediate steps to arrange for a high-level U.S./Iranian meeting in Tehran. During the London meeting, the Iranian urged that we (U.S. and Israel) act urgently to help with Iranian air defense. He emphasized that the Iraqi Air Force was increasingly effective of late and that the Iranians were desperate to stop attacks on population centers. The Israelis also used this opportunity to privately ask the U.S. to replace the 508 TOWs which they had sent to Iran in August, 1985.

Based on assurances that we could at last meet face-to-face with top-level Iranian officials, on May 15, the President authorized a secret mission to Tehran by former National Security Advisor McFarlane, accompanied by a CIA annuitant, CIA communicators, members of the NSC staff, and the Israeli and Iranian interlocutors. The Israelis were informed via coded message on May 15 that the U.S. had agreed to the Iranian request for limited anti-air defense equipment and to replenish the 508 TOWs sent by Israel.

On May 16, the Iranians, through the Israelis provided $6.5M for deposit in the CIA secure funding mechanism. The funds were used to acquire 508 TOW missiles (for replenishing the TOWs Israel shipped in September 1985) and acquiring HAWK missile electronic spare parts. This material was subsequently moved to [redacted] [redacted] repackaged and shipped to Kelly AFB for onward movement to Israel on May 22. As in the February shipment, the CIA provided logistics support for the movement of this materiel to Israel.

In order to ensure operational security, the McFarlane trip was made from Israel, coincident with the delivery of a pallet of spare parts for Iranian defensive weapons systems (HAWK spare

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electronic parts). At the specific request of the Iranians, alias foreign documentation [redacted] obtained from the CIA -- was used. CIA also provided covert transportation support from CONUS to Israel for the McFarlane party. The group was transported from Israel to Tehran aboard an Israeli Air Force 707 with false flag markings.

In the course of the four-day (May 25-28) visit, lengthy meetings were held with high-level Iranian officials, the first direct contact between the two governments in over six years. Mr. McFarlane and his team were able to establish the basis for a continuing relationship and clearly articulate our objectives, concerns, and intentions. The group was also able to assess first hand the internal political dynamic in Tehran and the effect of the war which Iran clearly can no longer win. Using Presidentially approved Terms of Reference (Tab B), which had been reviewed and approved by appropriate Cabinet officers, McFarlane emphasized that our interest in Iran transcended the hostages, but the continued detention of hostages by a Lebanese group philosophically aligned with Iran prevented progress. During the visit, Mr. McFarlane made clear:

-- that we fundamentally opposed Iranian efforts to expel us from the Middle East;

-- that we firmly opposed their use of terrorism;

-- that we accepted their revolution and did not seek to reverse it;

-- that we had numerous other disagreements involving regional policies (i.e., Lebanon, Nicaragua, etc.), but might also find areas of common interest (i.e., Afghanistan and the Soviet threat to the Gulf) through dialogue.

During these meetings, both sides used the opportunity to detail the obstacles to implementing a strategic relationship between the two countries. In addition to the points noted above, Mr. McFarlane emphasized the political problems caused by Iranian involvement in the hostage issue. The Iranians objected to the USG embargo on U.S. military supplies already paid for plus the continued USG blocking of Iranian assets in the U.S., even after U.S. courts had ruled in their favor. During the course of these meetings, the Iranian officials admitted that they could not win the war, but were in a dilemma in Tehran over how to end the conflict given the need to present an Iranian "victory" before it could be concluded. They emphasized that the original aggressor, Saddam Hussein, must be removed from power in order for the war

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to end. Mr. McFarlane concluded the visit by summarizing that notwithstanding Iranian interest in carrying on with the dialogue, we could not proceed with further discussions in light of their unwillingness to exert the full weight of their influence to cause the release of the Western hostages in Lebanon.

On June 10, Majlis Speaker Rafsanjani, in a speech in Tehran made guarded reference to Iranian interest in improved relations with the U.S. On July 26, Father Lawrence Jenco was released in the Bekka Valley and found his way to a Syrian military checkpoint.

On August 3, the remaining three pallets (less than ½ planeload) of electronic parts for Iranian anti-aircraft defenses (HAWK missile sub-components) arrived in Tehran. As in all flights to/from Iran this delivery was made with an Israeli Air Force aircraft (707) using false flag markings. Timing of the delivery was based on coordination among U.S., Israeli and Iranian officials.

In early August 1986, the contact with the Iranian expatriate began to focus exclusively on the willingness of the USG to provide military assistance to Iran in exchange for hostages and we sought to establish different channels of communication which would lead us more directly to pragmatic and moderate elements in the Iranian hierarachy. In mid-August, a private American citizen (MGEN Richard Secord, USAF [Ret.]) acting within the purview of [redacted] contact in Europe with [redacted]

C. [redacted] with the assistance of the CIA, this Iranian [redacted] was brought covertly to Washington for detailed discussions. We judged this effort to be useful in establishing contact with a close confidant of the man judged to be the most influential and pragmatic political figure in Iran (Rafsanjani). These discussions reaffirmed the basic objectives of the U.S. in seeking a political dialogue with Tehran. We also provided assessments designed to discourage an Iranian offensive and contribute to an Iranian decision to negotiate an end to the war. The assessments also detailed the Soviet threat to Iran.

Through August, September, and October 1986, numerous additional meetings were held in Europe between U.S. representatives and the new Iranian contacts. During the October 26, 1986 meeting in Frankfurt, Germany, the U.S. side, as in the past, insisted that the release of the hostages was a pre-requisite to any progress.

C. The Iranian [redacted] urged that we take a more active role in support for the Afghan resistance [redacted]

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The Iranians also proffered, and the U.S. accepted, the offer of a Soviet T-72 tank [redacted] The Iranians have also offered to provide a copy of the 400 page interrogation of Beirut Station Chief William Buckley. At this meeting, [redacted] stated that there was a "very good chance that another American or two would be freed soon." On October 29, with U.S. acquiescence, Israel provided Iran with an additional increment of defensive weapons (500 TOW missiles).

C. Late on October 31, [redacted] called the U.S. citizen (Hakim) tasked to maintain contact and advised that Iran had "exercised its influence with the Lebanese" in order to obtain the release of an American -- David Jacobsen -- and an uncertain number of French hostages. He further noted that this would be part of the purpose of the Iranian Foreign Minister's visit to Syria -- an event we became aware of on November 1, 1986. [redacted] stated that the situation in Tehran, as well as Iranian influence over Hizballah were both deteriorating; [redacted] On November 2, David Jacobsen was released by his captors near the old American Embassy compound in West Beirut. The U.S. Embassy in East Beirut immediately dispatched an embassy officer to West Beirut to pick up Mr. Jacobsen.

It is now apparent that persistent U.S. efforts to establish contact with Iran and subsequent public speculation regarding these contacts have probably exacerbated the power struggle in Iran between pragmatic elements (led by Rafsanjani) and more radical factions (under the overall sponsorship of Ayatollah Montazeri). In late October, radical supporters (of Montazeri) revealed the (Rafsanjani) contact with the USG and the terms of the contact. In order to defend himself against charges of colluding with the USG and to preserve a degree of latitude for both parties, Majlis Speaker Rafsanjani provided a purposely distorted version of the May 1986 McFarlane mission in his November 4 address to the masses. Moderate Iranian political leaders apparently now feel constrained to settle their internal political problems before proceeding with the U.S. relationship. The revelations in Tehran regarding the McFarlane mission are demonstrable evidence of the internal power struggle. The October 1986 arrest of radical leader Mehdi Hashemi, a close confidant and son in-law of Ayatollah Montezari, for acts of terrorism and treason has caused further internal conflict.

Resolution of the Lebanon hostage situation is also complicated by waning Iranian influence in Lebanon due in part to financial constraints and the fact that the Libyans are expanding their

page 15 missing fr.. doc.

loyal to the now imprisoned Mehdi Hashemi. If so, this could be an effort to undermine the nascent U.S.-Iranian strategic dialogue and exacerbate the internal Iranian power struggle against the pragmatic faction with which we have been in contact.

Throughout this process, the USG has acted within the limits of established policy and in compliance with all U.S. law. The shipment of 2,008 U.S. TOWs and 235 HAWK missile electronic spare parts was undertaken within the provisions of a Covert Action Finding.

During the course of this operation -- and before -- the U.S. was cognizant of only three shipments from Israel to Iran. Specifically:

-- The Israelis acknowledged the August 1985 shipment of 508 TOWs after it had taken place. Until we were advised by the Israelis, and had the information subsequently confirmed by Iranian authorities, we were unaware of the composition of the shipment. We subsequently agreed to replace these TOWs in May of 1986.

-- The November 1985 shipment of 18 Israeli HAWK missiles was not an authorized exception to policy. This shipment was retrieved in February 1986 as a consequence of U.S. intervention.

-- The October 1986 shipment of 500 TOWs from Israel to Iran was undertaken with U.S. acquiescence. These TOWs were replaced on November 7.

In support of this Finding and at the direction of the President, the CIA provided the following operational assistance:

-- CIA communications officers and an annuitant to assist in various phases of the operation.

-- Sterile overseas bank accounts for financial transactions.

-- A secure transhipment point for the dispatch of U.S. military items from the U.S.

-- Transhipment of military items from the U.S. to Israel.

-- Communications and intelligence support for the meetings with Iranian officials and the McFarlane trip to Tehran in May.

-- Cleared meeting sites in Europe for meetings with Iranian officials.

-- Fabricated and alias documentation for U.S. and foreign officials for meetings in Europe and Tehran.

The weapons and materiel provided under this program were judged to be inadequate to alter either the balance of military power or the outcome of the war with Iraq. They have, however, demonstrated the U.S. commitment to Iranian territorial integrity and served to support those in Iran interested in opening a strategic relationship with the U.S. U.S. efforts over the last 18 months have had tangible results on Iranian policy:

-- The Rafsanjani/Velayati intervention on behalf of the TWA #847 passengers (June 1985).

-- Iranian direction that the hijacked Pan Am #73 would not be received in Iranian territory if it left Karachi.

-- [redacted]

-- The release of three American and at least two French hostages.

-- The initiation of an Iranian dialogue with their regional neighbors.

-- Continued delay in the Iranian "final offensive."

Finally, it must also be noted that the U.S. arms embargo notwithstanding, West European nations have provided $500 million a year in military equipment to Iran. Most of these transfers were accomplished with government knowledge and/or acquiescence.

All appropriate Cabinet Officers have been apprised throughout. The Congress was not briefed on the covert action Finding due to the extraordinary sensitivity of our Iranian contacts and the potential consequences for our strategic position in Southwest Asia. Finally, our efforts to achieve the release of the hostages in Lebanon must continue to rely on discreet contacts and intermediaries who cannot perform if they are revealed.

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November 12, 1986 #58
(Maximum Version)

N93131

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Partially Declassified/Released on 5 May 87
under provisions of E.O. 12356
by Reger, National Security Council

U.S./IRANIAN CONTACTS AND THE AMERICAN HOSTAGES

From the earliest months following the Islamic revolution in Iran, the U.S. Government has attempted to reestablish official contact with that government in order to discuss strategic developments in that critical part of the world and to try and reestablish a constructive working relationship. Even before President Reagan came to office the U.S. Government agreed to expand security, economic, political, and intelligence relationships at a pace acceptable to Tehran. When the secret November 1, 1979 meeting in Algiers, between Brzezinski and Prime Minister Bazargan, became public, radical elements in Tehran forced the ouster of the government. That episode has influenced subsequent Iranian willingness to be engaged in any direct contact with the USG.

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~~Despite Iranian reluctance to enter into a relationship with the USG, our strategic interests in the Persian Gulf mandate persistant efforts on our part to try to establish a dialogue. In this regard, it [illegible] notable that only a few major countries do not have relations with Iran -- Egypt, Jordan, Morocco, Israel, South Africa, and the United States. Even Iraq continues to have diplomatic relations.~~

Iran, the key to a region of vital importance to the U.S., is increasingly threatened by growing Soviet military and political influence along its borders and inside its country. The increasing desperation brought on by the costs of the Iran-Iraq war further exacerbates Iran's vulnerability to growing Soviet influence. Moreover, Soviet designs in Afghanistan and actual threats to Iran have made reopening a strategic dialogue increasingly important. [redacted]

Since 1983, various countries have made overtures to the U.S. and Iran in an effort to stimulate direct contact. [redacted] Despite U.S. willingness to proceed, none of these overtures have succeeded.

Various individuals and private parties have likewise attempted to be helpful as intermediaries in arranging the release of our citizens held hostage in Lebanon. [redacted]

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[redacted]

In late 1984, the USG was approached by a representative of the Israeli government (David Kimche), suggesting that they had established a liaison relationship with an Iranian expatriate (Manucher Gorbanifar) in Europe who could serve as an intermediary in creating a direct contact. In addition to the strategic possibilities, this contact indicated that his "sponsors" in Tehran could also help to resolve the American hostage situation in Beirut.

The USG encouraged the Israelis to proceed with this contact [illegible] determine whether or not it was valid. In December, [illegible] U.S. established an indirect contact with the Ira[illegible] [illegible], the through a private U.S. citizen (Michael Lede[illegible] [illegible]nian intermediary, Israeli official (Amiram Nir). [illegible] [illegible]n) and a senior through the National S[illegible] [illegible]hese contacts were established ledge of appropri[illegible] [illegible]ecurity Council staff with the full know- meeting with [illegible] [illegible]ce Cabinet officers. From the very first the [illegible] the Israelis and the Iranian, it was emphasized that [illegible] USG could not proceed with direct contact unless Iran renounced terrorism as an instrument of State policy.

In June of 1985, in the midst of the TWA-847 hijacking, the Israeli officials in direct contact with the Iranian expatriate asked him to use his influence with senior Iranian officials to obtain the release of the hijacked passengers. Two days after this approach, the four Americans held separately from the rest of the hijacked passengers were freed and turned over to Syrian authorities. Mr. Rafsanjani, in his speech on November 4, 1986 for the first publicly admitted his role in this activity. Again, this contact was conducted by the NSC staff at the direction of appropriate Cabinet officers.

In September of 1985, the Israelis advised that they were close to achieving a breakthrough on the hostage situation and advised that they intended to proceed, unless we objected. It is important to note that the U.S. had long been aware of Israeli efforts to maintain discreet contact with Iran and to provide Iran with assistance in their war with Iraq. Despite long-term U.S. efforts to convince the Israelis to desist, Israel continued to provide limited military and industrial technology to Iran. The USG judged that the Israelis would persist in these secret deliveries, despite our objections, because they believed it to be in their strategic interests.

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On September 14, 1985, Reverend Benjamin Weir was released in Beirut by the Islamic Jihad Organization. Shortly thereafter, the U.S. acquiesced in an Israeli delivery of military supplies (508 TOWs) to Tehran. U.S. acquiescence in this Israeli operation was based on a decision at the highest level to exploit the existing Israeli channels with Tehran in an effort to establish our own strategic dialogue with the Iranian government.

Throughout the remainder of 1985, the USG maintained contact with the Iranian expatriate and held a number of meetings in Europe all of which included NSC and CIA representatives, in addition to the Israeli point of contact and the Iranian. Despite our efforts to convince the Iranians, through this channel to meet face-to-face with the Americans, they demured. [redacted] In December, 1985 the National Security Advisor met with Israeli officials and the Iranian contact to make clear the nature of our interest in a dialogue with Iran. At this meeting, Mr. McFarlane stated that our goals were as follows:

- Ending the Iran-Iraq War on honorable terms.
- Convincing Iran to cease its support for terrorism and radical subversion.
- Helping ensure the territorial integrity of Iran and acting in concert against Soviet activities in the region.
- Using their influence over radical groups in Lebanon to bring about the release of the hostages.

In January, 1986, the President approved a covert action Finding directing that the intelligence community proceed with special activities aimed at accomplishing the goals set forth above. The escalation of tensions with Libya, including the April strike, prevented further dialogue from taking place until the Iranians contacted the intermediary in late April, 1986. At that point, the Iranian expatriate advised us that the leadership in Tehran was prepared to commence a secret dialogue with the United States along the lines of our established goals.

On May 15, the President authorized a secret mission by former National Security Advisor McFarlane, accompanied by a CIA officer, members of the NSC staff, and the Israeli and Iranian interlocutors on a trip to Tehran. In order to ensure operational security, the trip was made from Israel, coincident with the delivery of a pallet of spare parts for Iranian defensive weapons systems (HAWK spare parts). Despite promises of meetings with top-level Iranian officials, the McFarlane trip did not fully achieve its desired goals in that the Iranians did not produce top-level officials for the meetings.

Despite this shortcoming, lengthy meetings were held with mid-level Iranian officials during the four-day trip, the first direct contact between the two governments in over six years. McFarlane and his team were able to establish the basis for a further relationship and clearly articulate our objectives, concerns, and intentions. The group was also able to assess first hand the internal political dynamic in Tehran and the effect of the war which Iran clearly can no longer win. Using the Presidentially approved Terms of Reference, which had been reviewed by appropriate Cabinet officers, McFarlane emphasized that our interest in Iran transcended the hostages, but the continued detention of hostages were an obstacle to progress. The Iranians emphasized that the U.S. embargo on hardware paid for by the Shah was, for them, the most significant obstacle to improved relations.

On June 10, Majlis Speaker Rafsanjani, in a speech in Tehran made guarded reference to Iranian interests in improved relations with the U.S. On July 26, Father Lawrence Jenco was released in the Bekka Valley and found his way to a Syrian military checkpoint.

At this point, the contact with the Iranian expatriate began to focus exclusively on the willingness of the USG to provide military assistance to Iran and we sought to establish different channels of communication which would lead us more directly to pragmatic and moderate elements in the Iranian hierarachy. In late September, discussions were initiated in Washington with this close confidant of the man judged to be the most influential and pragmatic political figure in Iran (Rafsanjani). These discussions reaffirmed the basic objectives of the U.S. in seeking a strategic dialogue with Tehran. As a confidence-building measure, the United States provided limited intelligence to Iran so that it would contribute to ending the Iran-Iraq War.

Convinced of the seriousness of U.S. intentions, a series of meetings were held in Europe between U.S. and Iranian representatives. During these sessions, the U.S. side consistently presented the hostages as an oabtacle to more rapid progress. The Iranians, for their part, urged that we take a more active role in support for the Afghan resistance [redacted]

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[redacted] The Iranians also proffered, and the U.S. accepted, the offer of a Soviet T-72 tank captured from Iraq. As a further demonstration of U.S. earnest, Israel provided Iran with an additional increment of defensive missiles on October 29.

[redacted] we know that moderate factions in Iran prevailed over more radical elements to use their influence over the Hizballah, enabling the November 2 release of David Jacobsen. Jacobsen's release was assisted by the efforts of Terry Waite, who was on-scene in Beirut when it occurred.

This entire process was interupted by the radical wing in late-October when it revealed the contact with the USG and the terms of the contact. The moderate political leaders now feel constrained to settle their internal political problems before proceeding with the budding relationship with the USG. The revelations in Tehran regarding the McFarlane mission are demonstrable evidence of the internal power struggle. The arrest of radical leader Mehdi Hashemi, a close confidant of Aytollah Montezari, for acts of terrorism and treason has exacerbated the internal conflict. Our problem with the hostages is also complicated by waning Iranian influence in Lebanon due in part to financial constraints and the fact that the Libyans are expanding their contacts with more radical Hizballah elements.

It is important to note that since the initiation of the USG contact with Iran there has been no evidence of Iranian government complicity in acts of terrorism against the U.S. We believe that the September-October kidnappings of Reed, Cicippio, and Tracy were undertaken in an effort to undermine the nascent U.S.-Iranian strategic dialogue and exacerbate the itnernal Iranian power struggle. Further, Rafsanjani's speech on November 4 intentionally misrepresented a number of essential facts in order to preserve latitude for both parties. Throughout this process, the USG has acted within the limits of established policy and in compliance with all U.S. law. The shipment of 1,008 TOWs and 235 HAWK missile parts was undertaken under the provisions of a covert action Finding. All relevant Cabinet Officers have been apprised throughout. The Congress was not briefed on the covert action Finding due to the extraordinary sensitivity of the Iranian contacts and the potential consequences for our strategic position in Southwest Asia. Finally, our efforts to achieve the release of the hostages in Lebanon must continue to rely on discreet contacts and intermediaries who cannot perform if they are revealed.

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N 5661 #57

11/~~20~~ 17/86 ~~1930~~ 1100
~~(Maximum Version)~~
~~(Historical Chronology)~~

U.S./IRANIAN CONTACTS AND THE AMERICAN HOSTAGES

From the earliest months following the Islamic revolution in Iran, the U.S. Government has attempted to reestablish official contact with that government in order to discuss strategic developments in this critical part of the world and reconstruct a working relationship. Even before President Reagan came to office the U.S. Government agreed to try to expand security, economic, political, and intelligence relationships at a pace acceptable to Tehran. In the fall of 1979, the U.S. undertook three secret missions to Tehran:

-- September 1979 [redacted] (met secretly with Bazargan at the request of the Iranians)

-- October 1979 - [redacted]

-- October-November 1979 - [redacted] (discussed normalization of relations)

When these meetings and the secret November 1, 1979 meeting in Algiers, between Brzezinski and Prime Minister Bazargan, became public in Iran, they helped precipitate the takeover of the U.S. Embassy by radical elements and led to the resignation of the Bazargan government. These events have adversely influenced Iran's subsequent willingness to engage in any direct contact with the USG.

Despite mutual difficulties involved in re-establishing normal relations, our strategic interests in the Persian Gulf mandate persistent efforts to establish a dialogue. In this regard, it is notable that only a few major countries do not have relations with Iran -- Egypt, Jordan, Morocco, Israel, South Africa, and the United States. Even Iraq continues to have diplomatic relations with Iran.

Iran is the key to a region of vital importance to the West, yet it is increasingly threatened by growing Soviet military power and political influence along its borders and inside its territory. Over the course of the last two years, the Soviets and their surrogates have moved actively to gain greater influence in the Gulf:

-- The Soviets believe that once Khomeini dies, they will have an excellent opportunity to influence the formation of a government in Tehran that serves Soviet strategic interests in the area.

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under provisions of E.O. 12356
by B. Reger, National Security Council

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N 5662

-- Communist nations have become the principal arms suppliers to Iran -- making Iran dependent on this source of supply in contending with an increasingly strengthened Iraq. This leads us to the conclusion that the Soviets may well be attempting to pursue their own revolution in Iran. That is, by fueling both sides in the conflict, the Soviets could well encourage a disastrous "final offensive" by Iran that would precipitate a political disintegration in Iran, leaving a power vacuum which the Soviets could exploit. Specifically, the indicators of Communist influence in Iran are:

[redacted]

The increasing desperation brought on by the costs of the Iran-Iraq war has exacerbated Iran's vulnerability to Soviet influence. Moreover, Soviet designs in Afghanistan, pressure on Pakistan, and actual crossborder strikes in Iran from Afghanistan have made reopening a strategic dialogue increasingly important.

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In short, the Soviets were far better positioned to improve significantly their influence in the region in 1985 when we were presented with an opportunity to open a dialogue with Iran. In deciding to exploit this opening, we evaluated previous efforts through more conventional channels which had not succeeded.

have

About two years ago, senior Iranian officials apparently decided that some accommodation with the U.S. was necessary. Since 1983, various countries have ~~made~~ been engaged in overtures to the U.S. and Iran in an effort to stimulate direct contact, [redacted] However, internal splits and debates made it difficult for the Iranians to respond to these overtures. between the two countries.

Numerous individuals and private parties have likewise attempted to be helpful as intermediaries in establishing contact in Iran or in seeking Iranian assistance in the release of our citizens held hostage in Lebanon. [redacted]

~~[illegible]~~ the spring of

In 1985, a private American the Israelis citizen (Michael Ledeen) ~~was~~ learned from a ~~approached by a representative of the~~ official Israeli government (David Kimche), ~~who reported~~ that ~~[illegible]~~ had established a liaison relationship with an Iranian expatriate (Manuchehr Ghorbanifar) in Europe who sought Israeli help in establishing contact with the U.S. Government. In acknowledging the need to demonstrate the bonafides of the officials involved, he (Ghorbanifar) indicated that his "sponsors" in Tehran could also help to resolve the American hostage situation in Beirut.

Go to top of P.4.

The Israelis analyzed this intermediary's background exhaustively in order to validate his legitimacy. This analysis led them to have extremely high confidence in his standing and genuine relationship to the highest Iranian officials. Based in large part upon the Israeli evaluation and in recognition of the clear U.S. interest in a dialogue that might, over time, lead to the moderation of Iranian policies, the U.S. established an indirect contact with the Iranian intermediary in mid-1985, through the private U.S. citizen and a senior Israeli official. These contacts were established through the National Security Council staff with the full knowledge of appropriate Cabinet officers. From the very first meeting with the Israelis and the Iranian, it was emphasized that the USG could not proceed with direct contact unless Iran renounced terrorism as an instrument of state policy.

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UNCLASSIFIED N 5664

In June of 1985, in the midst of the TWA-847 hijacking, the Israeli officials in direct contact with the Iranian expatriate asked him to use his influence with senior Iranian officials to obtain the release of the hijacked passengers. Two days after this approach, four Americans held separately from the rest of the hijacked passengers were freed and turned over to Syrian authorities. [redacted] Majlis [redacted] Speaker Rafsanjani, who was travelling in the mid-east at the time, and Iranian Foreign Minister Velayati both intervened with the captors. Rafsanjani, in his speech on November 4, 1986, for the first time publicly acknowledged his role in this matter.

Insert #1

~~In July of 1985, the Israelis advised that they believed they were close to achieving a breakthrough in their contact with Iran and would proceed unless we objected. It is important to note that the U.S. had long been aware of Israeli efforts to maintain discreet contact with Iran and that they had in the past provided Iran with assistance in its war with Iraq. Despite long-term U.S. efforts to convince the Israelis to desist, we believe that Israel continued to provide limited military and industrial technology to Iran -- even after they officially told us that such activities had ceased. The USG judged that the Israelis would persist in these secret deliveries, despite our objections, because they believed it to be in their strategic interests.~~

~~On August 22, 1985, a senior Israeli official (David Kimche) visited Washington and met with the National Security Advisor. The Israeli asked us to acquiesce in a single Israeli delivery of defensive military materiel to Tehran. He urged that we allow such an action to take place in order to gain increased influence in Tehran. Mr. McFarlane stated that the U.S. could in no way be construed as an "arms for hostages" deal and that there could be no guarantee that whatever items of U.S. origin Israel sent, could be replaced. We were subsequently informed that the Israelis had delivered 508 TOWs at the end of August. Though we were not specifically aware of the shipment at the time it was made we did make a subsequent decision not to expose this Israeli operation so that we would have the option of exploiting existing Israeli channels with Tehran in our own effort to establish an American strategic dialogue with the Iranian government. The Israelis managed this entire operation, to include delivery, arrangements, funding, and transportation. The total value of this shipment was less than $2 million and, therefore, below the threshold for required reporting of a military equipment transfer under the Arms Export Control Act.~~

On September 14, 1985, Reverend Benjamin Weir was released in Beirut by the Islamic Jihad Organization. This release was preceded by an intense effort on the part of Mr. Terry Waite, the Special Emissary of the Archbishop of Canterbury. To this date, Mr. Waite remains the only Westerner to ever meet directly with the Lebanese kidnappers. [redacted]

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UNCLASSIFIED N 5665

MSG FROM: NSOLN --CPUA TO: NSBEB --CPUA
To: NSBEB --CPUA 11/19/86

NOTE FROM: OLIVER NORTH
Subject: Chronology
Please print for me. Thank you.
*** Forwarding note from NSRCM --CPUA 11/18/86 23:07 ***
To: NSOLN --CPUA

-- SECRET --
NOTE FROM: ROBERT MCFARLANE
Subject: Chronology
*** Forwarding note from NSRCM --CPUA 11/18/86 23:06 ***
To: NSJMP --CPUA JOHN M. POINDEXTER

-- SECRET --
NOTE FROM: ROBERT MCFARLANE
SUBJECT: Chronology

I have just finished reading the chronology. Much of it is coming to me for the first time--primarily the material on what went on between Jan-May'86--and I am not really able to comment on how to deal with that.

It seems to me that I ought to limit my input to what I recall from my involvement before Jan '86 and then from the May meeting. In that context, I would recommend deleting all material starting on the 11/17 (2000) version at page three, penultimate para (i.e. In 1985, a private...) down through the third para on the following page (ending with...strategic dialogue with the Iranian government.) and replace with the following.

Insert #1

In July (Kimche) of 1985, during a visit to Washington, an Israeli official ~~diplomat~~ advised National Security Advisor, Robert McFarlane, that Israel had established a channel of communication with authoritative elements in Iran who were interested in determining whether the United States was open to a discreet, high level dialogue with them. The Iranians were described as comprising the principal figures of the government (i.e. Speaker of the Majlis Rafsanjani, ~~and~~ Prime Minister Musavi and Khomeini's heir-apparent Ayatollah Montazeri. and as being devoted to a reorientation of Iranian policy.

At this first meeting, McFarlane went to great length to draw out the Israeli ~~diplomat~~ as to why he found the Iranian proposal credible, given the events of the past 6 years. ~~He~~ replied that their exhaustive analysis had gone beyond the surface logic deriving from the chaos and decline within Iran and the degenerative effects of the war, to more concrete tests of the willingness of the Iranians to take personal risks. ~~[illegible]~~ and personal exposure ~~of~~ themselves ~~[illegible]~~ to possible compromise by meetings with Israelis ~~[illegible]~~ ~~[illegible]~~ extremely sensitive intelligence on the situation (and political lineup) within Iran — information which The Israeli was proven valid.

: He noted that the Iranians had ~~taken~~

[redacted] The Israeli asked for our position/agreeing to open such a dialogue. No mention was made of any pre-conditions or Iranian priorities. McFarlane conveyed this proposal to the President (in the presence of the Chief of Staff). The President said that he believed such a dialogue would be worthwhile at least to the point of determining the validity of the interlocutors. This decision was [redacted] passed to the Israeli diplomat.

Within days the Israeli called again on McFarlane. At this meeting, he stated that he had conveyed our position to the Iranian intermediary and that the Iranians had responded that they recogniz~~ing~~ the need for both sides to have tangible evidence of the bona fides of the other, that from their side they wanted us to know that they believed they could affect the release of the Americans held hostage in Lebanon.

According to the Israeli: [redacted] the Iranians separately stated that they were vulnerable as a group and before having any prospect of being able to affect change within Iran they would need to be substantially strengthened. To do so, they would need to secure the cooperation of military and/or Revolutionary Guard leaders. Toward this end, they expressed the view that the most credible demonstration of their influence and abilities would be to secure limited amounts of US equipment. The Israeli asked for our position toward such actions.

Tab #1

Mr McFarlane elevated this proposition to the President at a meeting within days that included the Secretaries of State and Defense and the Director of Central Intelligence. The President stated that while he could understand that, assuming the legitimacy of the interlocutors, they would be quite vulnerable and ultimately might deserve our support to include ~~tangible~~ and/or material, that at the time, without any first hand experience in dealing with them, he could not authorize any transfers of military material. This was conveyed to the Israeli.

On August 22, 1985 ~~Within days (mid August)~~ the Israeli diplomat called once more to report that the message had been conveyed and that an impasse of confidence existed. He asked what the position of the US government would be to an Israeli transfer of modest quantities of material. McFarlane replied that to him, that such an action would represent a distinction without a difference. The Israeli diplomat explained at great length that Israel had its own policy interests that would be served by fostering such a dialogue in behalf of the US but that a problem would arise when ultimately they needed to replace items shipped. He asked whether at that time Israel would be able to purchase replacements [redacted] for items shipped McFarlane stated that again, the issue was not the ability of Israel to purchase military equipment from the US--they had done so for a generation and would do so in the future--but rather the issue was whether it was US policy to ship or allow others to ship military equipment to Iran. The Israeli asked for a position from our government. McFarlane elevated the question to the President (and to the Secretaries of State and Defense and the DCI). Again the President stated that while he could imagine the day coming when we might choose to support such elements with material, he could not approve any transfer of military material

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by [illegible] Reger, National Security Council

UNCLASSIFIED

11/17/86 2000
(Maximum Version)

U.S./IRANIAN CONTACTS AND THE AMERICAN HOSTAGES

From the earliest months following the Islamic revolution in Iran, the U.S. Government has attempted to reestablish official contact with that government in order to discuss strategic developments in that critical part of the world and to try and reestablish a constructive working relationship. Even before President Reagan came to office the U.S. Government agreed to expand security, economic, political, and intelligence relationships at a pace acceptable to Tehran. In the fall of 1979, the U.S. undertook three secret missions to Tehran:

-- September 1979 - [redacted]

-- October 1979 - [redacted]

-- October-November 1979 - [redacted] (discussed normalization of relations)

When these meetings and the secret November 1, 1979 meeting in Algiers, between Brzezinski and Prime Minister Bazargan, became public in Iran, they precipitated the takeover of the U.S. Embassy by radical elements and led to the resignation of the Bazargan government. These events have adversely influenced Iran's subsequent willingness to engage in any direct contact with the USG.

Despite mutual difficulties involved in re-establishing normal relations, our strategic interests in the Persian Gulf mandate persistent efforts on our part to try to establish a dialogue. In this regard, it is notable that only a few major countries do not have relations with Iran -- Egypt, Jordan, Morocco, Israel, South Africa, and the United States. Even Iraq continues to have diplomatic relations with Iran.

Iran, the key to a region of vital importance to the West, is increasingly threatened by growing Soviet military and political influence along its borders and inside its territory. Over the course of the last two years, the Soviets and their surrogates have moved actively to gain influence in the Gulf:

-- The Soviets believe that once Khomeini dies, they will have an excellent opportunity to influence the formation of a government in Tehran which serves Soviet strategic interests in the area.

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-- Communist nations have become principal arms suppliers to Iran -- making Iran dependent on this source of supply in contending with an increasingly threatening Iraq. This leads us to the conclusion that the Soviets may well be attempting to pursue their own revolution in Iran. That is, by fueling both sides in the conflict, the Soviets could well encourage a disastrous "final offensive" by Iran that would precipitate a political disintegration in Iran, leaving a power vacuum which the Soviets could exploit. Specifically, the Communist influence in Iran stems from:

[redacted]

The increasing desperation brought on by the costs of the Iran-Iraq war has exacerbated Iran's vulnerability to Soviet influence. Moreover, Soviet designs in Afghanistan, pressure on Pakistan, and actual crossborder strikes in Iran from Afghanistan have made reopening a strategic dialogue increasingly important.

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In short, the Soviets were far better positioned to significantly improve their influence in the region in 1985 when we were presented with an opportunity to open a dialogue with Iran. In deciding to exploit this opening, we evaluated previous efforts through more conventional channels which had not succeeded.

Since 1983, various countries have made overtures to the U.S. and Iran in an effort to stimulate direct contact. [redacted] About two years ago, senior Iranian officials apparently decided that some accommodation with the U.S. was necessary. However, internal splits and debates made it difficult for them to respond to these overtures.

Numerous individuals and private parties have likewise attempted to be helpful as intermediaries in establishing contact in Iran or in seeking Iranian assistance in the release of our citizens held hostage in Lebanon. [redacted]

In 1985, a private American citizen (Michael Ledeen) was approached by a representative of the Israeli government (David Kimche), who reported that they had established a liaison relationship with an Iranian expatriate (Manuchehr Ghorbanifar) in Europe who sought Israeli help in establishing contact with the U.S. Government. In acknowledging the need to demonstrate the bonafides of the officials involved, he (Ghorbanifar) indicated that his "sponsors" in Tehran could also help to resolve the American hostage situation in Beirut.

The Israelis analyzed this intermediary's background exhaustively in order to validate his legitimacy. This analysis led them to have extremely high confidence in his standing and genuine relationship to the highest Iranian officials. Based in large part upon the Israeli evaluation and in recognition of the clear U.S. interest in a dialogue that might, over time, lead to the moderation of Iranian policies, the U.S. established an indirect contact with the Iranian intermediary in mid-1985, through the private U.S. citizen and a senior Israeli official. These contacts were established through the National Security Council staff with the full knowledge of appropriate Cabinet officers. From the very first meeting with the Israelis and the Iranian, it was emphasized that the USG could not proceed with direct contact unless Iran renounced terrorism as an instrument of state policy.

MORE DETAILS c MTGS *

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In June of 1985, in the midst of the TWA-847 hijacking, the Israeli officials in direct contact with the Iranian expatriate asked him to use his influence with senior Iranian officials to obtain the release of the hijacked passengers. Two days after this approach, four Americans held separately from the rest of the hijacked passengers were freed and turned over to Syrian authorities. [redacted] Majlis Speaker Rafsanjani, who was travelling in the mid-east at the time, and Iranian Foreign Minister Velayati both intervened with the captors. Rafsanjani, in his speech on November 4, 1986, for the first time publicly acknowledged his role in this matter.

In September of 1985, the Israelis advised that they were close to ~~achieving a~~ breakthrough in their contact with Iran and would proceed unless we objected. It is important to note that the U.S. had long been aware of Israeli efforts to maintain discreet contact with Iran and to provide Iran with assistance in its war with Iraq. Despite long-term U.S. efforts to convince the Israelis to desist, Israel continued to provide limited military and industrial technology to Iran. The USG judged that the Israelis would persist in these secret deliveries, despite our objections, because they believed it to be in their strategic interests.

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On August 22, 1985, the U.S., through the U.S. citizen intermediary, acquiesed in an Israeli delivery of military supplies (508 TOWs) to Tehran. We were subsequently informed that the delivery had taken place at the end of August, though we were not aware of the shipment at the time it was made. U.S. acquiescence in this Israeli operation was based on a decision at the highest level to exploit existing Israeli channels with Tehran in an effort to establish an American strategic dialogue with the Iranian government.

CHECK WITH BUD & PAUL

On September 14, 1985, Reverend Benjamin Weir was released in Beirut by the Islamic Jihad Organization. This release was preceded by an intense effort on the part of Mr. Terry Waite, the Special Emissary of the Archbishop of Canterbury. To this date, Mr. Waite remains the only Westerner to ever meet directly with the Lebanese kidnappers. [redacted]

On October 4, 1985, Islamic Jihad announced that it had "executed" Beirut Station Chief William Buckley in retaliation for the October 1 Israeli air raid on PLO installations in Tunis. This announcement led to a series of meetings in Europe among the U.S. (CIA and NSC), Israeli, and Iranian intermediaries. In these meetings, the Iranians indicated that, while their ability to influence the Hizballah was waning, the Hizballah had not killed

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Buckley; he had in fact died several months earlier of natural causes. We have since substantiated this information in debriefs of Father Jenco and David Jacobsen, both of whom indicate that Buckley probably died on June 3, 1985 of pneumonia-like symptoms.

In late November 1985, the Israelis, responding to urgent entreaties from the Iranians, provided 18 basic HAWK missiles to Iran in order to improve the static defenses around Tehran. The Israeli delivery of HAWK missiles raised U.S. concerns that we could well be creating misunderstandings in Tehran and thereby jeopardizing our objective of arranging a direct meeting with high-level Iranian officials. These missiles were subsequently returned to Israel in February 1986, with U.S. assistance. On December 6-8, 1985, the National Security Advisor met (in London) with the Israeli official and the Iranian contact to make clear the nature of our interest in a dialogue with Iran. At this meeting, Mr. McFarlane stated that our goals were as follows:

- Devising a formula for re-establishing a strategic relationship with Tehran.
- Ending the Iran-Iraq War on honorable terms.
- Convincing Iran to cease its support for terrorism and radical subversion.
- Helping ensure the territorial integrity of Iran and coordinating ways in which we might counter Soviet activities in the region.

Mr. McFarlane made clear that a Western dialogue with Iran would be precluded unless Iran was willing to use its influence to achieve the release of Western hostages in Beirut. He also made clear that we could not and would not engage in trading arms for hostages.

On January ~~9~~ 13, 1986, the President approved a covert action Finding directing that the intelligence community proceed with special activities aimed at accomplishing the goals set forth above. In accord with extant statutes, the President directed that the Director of Central Intelligence ~~refrain from~~ defer reporting the Finding to the appropriate committees of the Congress until reasonably sure that the lives of those carrying out the operation (both U.S. and foreign) would not be in jeopardy.

On February 5-7, U.S. officials (NSC and CIA [redacted] a representative of the Israeli Prime Ministry (Amiran Nir), and a senior-level Iranian official [redacted]

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[redacted] met in Germany. At this meeting, the Iranians agreed that, if the USG would provide TOW weapons to Iran, they would, in turn, provide same to the Afghan Mujahideen. The U.S. agreed to explore this possibility and, working with the Israelis, established the following mechanism for transfer of the weapons:

- -- The Iranian intermediary (Ghorbanifar) would deposit funds in an Israeli account.
- -- The Israelis would transfer funds to a sterile U.S.-controlled account in an overseas bank.
- -- Using these funds, the CIA would covertly obtain materiel authorized for transfer from U.S. military stocks and transport this to Israel for onward movement to Iran.

Using the procedures stipulated above, funds were deposited in the CIA account in Geneva on February 11, 1986 and on February 14 1,000 TOWs were transported to Israel for pre-positioning. The TOWs were off-loaded and placed in a covert Israeli facility.

On February 19-21, U.S. and Iranian officials (NSC and CIA) met again in Germany to discuss problems in arranging a meeting among higher-level officials. At this meeting, the U.S. side agreed to provide 1,000 TOWs to Iran as a clear signal of U.S. sincerity. This delivery was commenced on the morning of February 20 and completed in two transits to Tehran on February 21.

On March 7, U.S. (CIA and NSC) and Israeli representatives met with the Iranian intermediary in Paris to determine whether any further progress was possible in arranging for a high-level meeting with U.S. and Iranian officials. During these meetings, the intermediary emphasized the deteriorating economic situation in Iran and Iranian anxieties regarding increasing Iraqi military effectiveness.

[redacted]

The escalation of tensions with Libya, leading up to the April 14 strike, prevented further dialogue from taking place until the Iranians urged the intermediary (Ghorbanifar) to accelerate the

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effort in late April, 1986. At that point, the Iranian expatriate advised us that the leadership in Tehran was prepared to commence a secret dialogue with the United States along the lines of our established goals. We believe that the Iranians were stimulated to renew the contact by the April 17 murder of hostage Peter Kilburn [redacted] in retaliation for the U.S. raid on Libya. [redacted] The Iranian expatriate told the NSC and CIA officers, who met with him in Europe at the end of April, that the Iranians did not wish to be accused of any culpability in Kilburn's death. [redacted]

Based on assurances that we could at last meet face-to-face with top-level Iranian officials, on May 15, the President authorized a secret mission to Tehran by former National Security Advisor McFarlane, accompanied by a CIA annuitant, CIA communicators, members of the NSC staff, and the Israeli and Iranian interlocutors. In order to ensure operational security, the trip was made from Israel, coincident with the delivery of a pallet of spare parts for Iranian defensive weapons systems (HAWK spare electronic parts). At the specific request of the Iranians, alias foreign documentation [redacted] was obtained from the CIA.

In the course of the four-day (May 25-29) visit, lengthy meetings were held with high-level Iranian officials, the first direct contact between the two governments in over six years. Mr. McFarlane and his team were able to establish the basis for a continuing relationship and clearly articulate our objectives, concerns, and intentions. The group was also able to assess first hand the internal political dynamic in Tehran and the effect of the war which Iran clearly can no longer win. Using Presidentially approved Terms of Reference (Tab A), which had been reviewed and approved by appropriate Cabinet officers, McFarlane emphasized that our interest in Iran transcended the hostages, but the continued detention of hostages by a Lebanese group philosophically aligned with Iran prevented progress. During the visit, Mr. McFarlane made clear:

-- that we fundamentally opposed Iranian efforts to expel us from the Middle East;

-- that we firmly opposed their use of terrorism;

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-- that we accepted their revolution and did not seek to reverse it;

-- that we had numerous other disagreements involving regional policies (i.e., Lebanon, Nicaragua, etc.), but might also find areas of common interest (i.e., Afghanistan) through dialogue.

During these meetings, both sides used the opportunity to detail the obstacles to implementing a strategic relationship between the two countries. In addition to the points noted above, Mr. McFarlane emphasized the political problems caused by Iranian involvement in the hostage issue. The Iranians objected to the USG embargo on U.S. military supplies already paid for plus the continued USG blocking of Iranian assets in the U.S., even after U.S. courts had ruled in their favor. During the course of these meetings, the Iranian officials admitted that they could not win the war, but were in a dilemma in Tehran over how to end the conflict given the need to present an Iranian "victory" before it could be concluded. They emphasized that the original aggressor, Saddam Hussein, must be removed from power in order for the war to end. Mr. McFarlane concluded the visit by summarizing that notwithstanding Iranian interest in carrying on with the dialogue, we could not proceed with further discussions in light of their unwillingness to exert the full weight of their influence to cause the release of the hostages.

On June 10, Majlis Speaker Rafsanjani, in a speech in Tehran made guarded reference to Iranian interest in improved relations with the U.S. On July 26, Father Lawrence Jenco was released in the Bekka Valley and found his way to a Syrian military checkpoint. On August 3, three pallets (less than ¼ planeload) of electronic parts for Iranian anti-aircraft defenses (HAWK missile sub-components) arrived in Tehran (from Israel).

In early August 1986, the contact with the Iranian expatriate began to focus exclusively on the willingness of the USG to provide military assistance to Iran in exchange for hostages and we sought to establish different channels of communication which would lead us more directly to pragmatic and moderate elements in the Iranian hierarachy. In mid-August, a private American citizen (MGEN Richard Secord, USAF [Ret.]) acting within the purview of the January Covert Action Finding, made contact in Europe with [redacted] a relativ[redacted] of a senior Iranian official (Rafsanjani). With the assistance of the CIA, this Iranian [redacted] was brought covertly to Washington for detailed discussions. We judged this effort to be useful in establishing contact with a close confidant of the man judged to

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be the most influential and pragmatic political figure in Iran (Rafsanjani). These discussions reaffirmed the basic objectives of the U.S. in seeking a political dialogue with Tehran. We also provided intelligence designed to discourage an Iranian offensive and contribute to an Iranian decision to negotiate an end to the war.

Through August, September, and October 1986, numerous additional meetings were held in Europe between U.S. representatives and the new and Iranian contacts. During the October 26, 1986 meeting in Frankfurt, Germany, the U.S. side, as in the past, insisted that the release of the hostages was a pre-requisite to any progress. The Iranian, [redacted] urged that we take a more active role in support for the Afghan resistance [redacted] The Iranians also proffered, and the U.S. accepted, the offer of a Soviet T-72 tank [redacted] At this meeting, [redacted] stated that there was a "very good chance that another American or two would be reed soon." On October 29, with U.S. acquiescence, Israel provided Iran with an additional increment (500 TOW missiles) of these defensive weapons.

Late on October 31, [redacted] called the U.S. citizen (Hakim) tasked to maintain contact and advised that Iran had "exercised its influence with the Lebanese" in order to obtain the release of American -- David Jacobsen -- and an uncertain number of French hostages. He further noted that this was part of the purpose of the Iranian Foreign Minister's visit to Syria. [redacted] stated that the situation in Tehran, as well as Iranian influence over Hizballah were both deteriorating; [redacted] On November 2, David Jacobsen was driven to a point near the old American Embassy compound in West Beirut. The U.S. Embassy in East Beirut immediately dispatched an embassy officer to West Beirut to pick up Mr. Jacobsen.

It is now apparent that persistent U.S. efforts to establish contact with Iran have probably exacerbated the power struggle in Iran between pragmatic elements (led by Rafsanjani) and more radical factions (under the overall sponsorship of Ayatollah Montazeri). In late October, radical supporters (of Montazeri) revealed the (Rafsanjani) contact with the USG and the terms of the contact. In order to defend himself against charges of colluding with the USG and to preserve a degree of latitude for both parties, Majlis Speaker Rafsanjani provided a highly fabricated version of the May 1986 McFarlane mission in his

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November 4 address to the masses. Moderate Iranian political leaders apparently now feel constrained to settle their internal political problems before proceeding with the U.S. relationship. The revelations in Tehran regarding the McFarlane mission are demonstrable evidence of the internal power struggle. The October 1986 arrest of radical leader Mehdi Hashemi, a close confidant and son in-law of Aytollah Montezari, for acts of terrorism and treason has caused further internal conflict. Resolution of the Lebanon hostage situation is also complicated by waning Iranian influence in Lebanon due in part to financial constraints and the fact that the Libyans are expanding their contacts with more radical Hizballah elements. [redacted] Despite these internal difficulties and attendant publicity in the Western media, the Iranians continue to maintain direct contact with the USG and met again in Geneva on November 9-10 with NSC and CIA representatives. [redacted]

It is important to note that since the initiation of the USG contact with Iran there has been no evidence of Iranian government complicity in acts of terrorism against the U.S. We believe that the September-October kidnappings of Messers. Reed, Cicippio, and Tracy were undertaken in an effort to undermine the nascent U.S.-Iranian strategic dialogue and exacerbate the internal Iranian power struggle against the moderate faction with which we have been in contact. [redacted] Contrary to speculative reports that these hostages were taken in order to stimulate the acquisition of more arms, they were most likely captured in order to prevent the very rapproachment with Iran we are seeking.

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Throughout this process, the USG has acted within the limits of established policy and in compliance with all U.S. law. The shipment of 2,008 TOWs and 235 HAWK missile parts was undertaken under the provisions of a covert action Finding.

In support of this Finding and at the direction of the President, the CIA provided the following operational assistance:

-- Sterile overseas bank accounts for financial transactions.

-- A secure transhipment point for the dispatch of U.S. military items from the U.S.

-- Transhipment of military items from the U.S. to Israel.

-- Communications and intelligence support for the meetings with Iranian officials and the McFarlane trip to Tehran in May.

-- Cleared meeting sites in Europe for meetings with Iranian officials.

-- Alias documentation for U.S. and foreign officials for meetings in Europe and Tehran.

The weapons and materiel provided under this program are in no way adequate to alter the balance of military power nor the outcome of the war with Iraq. They have, however, [redacted] demonstrated the U.S. commitment to Iranian territorial integrity. Further, U.S. efforts over the last 18 months have had tangible results on Iranian policy:

-- The Rafsanjani/Velayati intervention on behalf of the TWA #847 passengers (June 1985).

-- Iranian direction that the hijacked Pan Am #73 could not leave Karachi for Iranian territory.

-- [redacted]

-- The release of three American and two French hostages.

It should also be noted that the U.S. arms embargo notwithstanding, West European nations have provided $500 million a year in military equipment to Iran. Most of these transfers were accomplished with government knowledge and/or acquiescence.

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EXHIBIT 8

*** Reply to note of 08/31/85 13:26

[redacted]

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[redacted]

NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK

Continuation of last note (hit SEND when I meant to hit ADD LINES) ... Casey believes that Cap will continue to create roadblocks until he is told by you that the President wants this to move NOW and that Cap will have to make it work. Casey points out that we have now gone through three different methodologies in an effort to satisfy Cap's concerns and that no matter what we do there is always a new objection. As far as Casey is concerned our earlier method of having Copp deal directly with the DoD as a purchasing agent was fine. He did not see any particular problem w/ making Copp an agent for the CIA in this endeavor but he is concerned that Cap will find some new objection unless he is told to proceed. Colin Powell, who sat next to me during Cap's speech asked the following questions (my answers are indicated):

Q. Does Copp deal w/ Iranians or Israelis?
A. With the Israelis.

Q. Is the intelligence a prerequisite?
A. It is probably something that can be negotiated but in any event it is not a DoD matter. It is covered in the finding and is in fact one of the few means we have to make a long term penetration in Iran. Our ultimate objective of changing/moderating the govt. is served by this.

Q. What cost are the Israelis willing to pay for the basic TOWS?
A. They (thru Copp) have funds to pay Fair Market Value (FMV should be about $4900-3400 ea. depending on age) and to cover the cost of transportation. They do not have enough to pay for I TOW (about $9500 ea or TOW II ((about $13000 ea.). We have frequently sold the Israelis weaps/materiel at FMV vice the replacement cost to the U.S. Since we have over 100K of the basic TOW in our inventory and cannot even use it in training due to its age, we ought to look at this as an opportunity to collect on a weapon which we aren't using (all are in PWR according to Koch) and will eventually have to dispose of because we cannot sell them off otherwise. (I'm told that Hughes Acft, the mfgr. has an agreement w/ DoD that all normal FMS transactions will be handled as a producer sale in order to keep DoD fm undercutting the production line by selling off old stocks).

The most recent proposal (Copp as agent for the CIA and sales to the Israelis who then deliver weaps to the Iranians) can only work if we can get the Israelis to come up on their price. I have been unable to contact NIR who is in Europe for a meeting. He still does not know that we are aware that the Iranians have offered $10K per TOW. He has however left a message that we must have a go/no go decision today and that conditions in Brt. continue to deteriorate. You shd also have seen

Partially Declassified/Released on 4 May '87
under provisions of E.O. 12356
by B. Reger, National Security Council

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THE WHITE HOUSE
WASHINGTON

January 17, 1986

EXHIBIT 9

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ACTION

MEMORANDUM FOR THE PRESIDENT

FROM: JOHN M. POINDEXTER JMP

SUBJECT: Covert Action Finding Regarding Iran

Prime Minister Peres of Israel secretly dispatched his special advisor on terrorism with instructions to propose a plan by which Israel, with limited assistance from the U.S., can create conditions to help bring about a more moderate government in Iran. The Israelis are very concerned that Iran's deteriorating position in the war with Iraq, the potential for further radicalization in Iran, and the possibility of enhanced Soviet influence in the Gulf all pose significant threats to the security of Israel. They believe it is essential that they act to at least preserve a balance of power in the region.

The Israeli plan is premised on the assumption that moderate elements in Iran can come to power if these factions demonstrate their credibility in defending Iran against Iraq and in deterring Soviet intervention. To achieve the strategic goal of a more moderate Iranian government, the Israelis are prepared to unilaterally commence selling military materiel to Western-oriented Iranian factions. It is their belief that by so doing they can achieve a heretofore unobtainable penetration of the Iranian governing hierarchy. The Israelis are convinced that the Iranians are so desperate for military materiel, expertise and intelligence that the provision of these resources will result in favorable long-term changes in personnel and attitudes within the Iranian government. Further, once the exchange relationship has commenced, a dependency would be established on those who are providing the requisite resources, thus allowing the provider(s) to coercively influence near-term events. Such an outcome is consistent with our policy objectives and would present significant advantages for U.S. national interests. As described by the Prime Minister's emissary, the only requirement the Israelis have is an assurance that they will be allowed to purchase U.S. replenishments for the stocks that they sell to Iran. We have researched the legal problems of Israel's selling U.S. manufactured arms to Iran. Because of the requirement in U.S. law for recipients of U.S. arms to notify the U.S. government of transfers to third countries, I do not recommend that you agree with the specific details of the Israeli plan. However, there is another possibility. Some time ago Attorney

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(full text released) 4 May 87

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General William French Smith determined that under an appropriate finding you could authorize the CIA to sell arms to countries outside of the provisions of the laws and reporting requirements for foreign military sales. The objectives of the Israeli plan could be met if the CIA, using an authorized agent as necessary, purchased arms from the Department of Defense under the Economy Act and then transferred them to Iran directly after receiving appropriate payment from Iran.

The Covert Action Finding attached at Tab A provides the latitude for the transactions indicated above to proceed. The Iranians have indicated an immediate requirement for 4,000 basic TOW weapons for use in the launchers they already hold.

The Israeli's are also sensitive to a strong U.S. desire to free our Beirut hostages and have insisted that the Iranians demonstrate both influence and good intent by an early release of the five Americans. Both sides have agreed that the hostages will be immediately released upon commencement of this action. Prime Minister Peres had his emissary pointedly note that they well understand our position on not making concessions to terrorists. They also point out, however, that terrorist groups, movements, and organizations are significantly easier to influence through governments than they are by direct approach. In that we have been unable to exercise any suasion over Hizballah during the course of nearly two years of kidnappings, this approach through the government of Iran may well be our only way to achieve the release of the Americans held in Beirut. It must again be noted that since this dialogue with the Iranians began in September, Reverend Weir has been released and there have been no Shia terrorist attacks against American or Israeli persons, property, or interests.

Therefore it is proposed that Israel make the necessary arrangements for the sale of 4000 TOW weapons to Iran. Sufficient funds to cover the sale would be transferred to an agent of the CIA. The CIA would then purchase the weapons from the Department of Defense and deliver the weapons to Iran through the agent. If all of the hostages are not released after the first shipment of 1000 weapons, further transfers would cease.

On the other hand, since hostage release is in some respects a byproduct of a larger effort to develop ties to potentially moderate forces in Iran, you may wish to redirect such transfers to other groups within the government at a later time.

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The Israelis have asked for our urgent response to this proposal so that they can plan accordingly. They note that conditions inside both Iran and Lebanon are highly volatile. The Israelis are cognizant that this entire operation will be terminated if the Iranians abandon their goal of moderating their government or allow further acts of terrorism. You have discussed the general outlines of the Israeli plan with Secretaries Shultz and Weinberger, Attorney General Meese and Director Casey. The Secretaries do not recommend you proceed with this plan. Attorney General Meese and Director Casey believe the short-term and long-term objectives of the plan warrant the policy risks involved and recommend you approve the attached Finding. Because of the extreme sensitivity of this project, it is recommended that you exercise your statutory prerogative to withhold notification of the Finding to the Congressional oversight committees until such time that you deem it to be appropriate.

Recommendation

OK	NO	
RR jp JP	—	That you sign the attached Finding.

Prepared by:
Oliver L. North

Attachment
Tab A - Covert Action Finding

1000 17 Jan 86

President was briefed verbally from this paper. VP, Don Regan and Don Fortier were present.

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Finding Pursuant to Section 662 of The Foreign Assistance Act of 1961 As Amended, Concerning Operations Undertaken by the Central Intelligence Agency in Foreign Countries, Other Than Those Intended Solely for the Purpose of Intelligence Collection

I hereby find that the following operation in a foreign country (including all support necessary to such operation) is important to the national security of the United States, and due to its extreme sensitivity and security risks, I determine it is essential to limit prior notice, and direct the Director of Central Intelligence to refrain from reporting this Finding to the Congress as provided in Section 501 of the National Security Act of 1947, as amended, until I otherwise direct.

SCOPE	DESCRIPTION
Iran	Assist selected friendly foreign liaison services, third countries and third parties which have established relationships with Iranian elements, groups, and individuals sympathetic to U.S. Government interests and which do not conduct or support terrorist actions directed against U.S. persons, property or interests, for the purpose of: (1) establishing a more moderate government in Iran, (2) obtaining from them significant intelligence not otherwise obtainable, to determine the current Iranian Government's intentions with respect to its neighbors and with respect to terrorist acts, and (3) furthering the release of the American hostages held in Beirut and preventing additional terrorist acts by these groups. Provide funds, intelligence, counter-intelligence, training, guidance and communications and other necessary assistance to these elements, groups, individuals, liaison services and third countries in support of these activities. The USG will act to facilitate efforts by third parties and third countries to establish contact with moderate elements within and outside the Government of Iran by providing these elements with arms, equipment and related materiel in order to enhance the credibility of these elements in their effort to achieve a more pro-U.S. government in Iran by demonstrating their ability to obtain requisite resources to defend their country against Iraq and intervention by the Soviet Union. This support will be discontinued if the U.S. Government learns that these elements have abandoned their goals of moderating their government and appropriated the materiel for purposes other than that provided by this Finding.

The White House
Washington, D.C.
Date January 17, 1986

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Exhibit 10

IRAN

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EXHIBIT

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RELEASE OF AMERICAN HOSTAGES IN BEIRUT

N 7515

Background. In June 1985, private American and Israeli citizens commenced an operation to effect the release of the American hostages in Beirut in exchange for providing certain factions in Iran with U.S.-origin Israeli military materiel. By September, U.S. and Israeli Government officials became involved in this endeavor in order to ensure that the USG would:

-- not object to the Israeli transfer of embargoed materiel to Iran;

-- sell replacement items to Israel as replenishment for like items sold to Iran by Israel.

On September ~~14~~ 1, the Israeli Government, with the endorsement of the USG, transferred 508 basic TOW missiles to Iran. Forty-eigh hours later, Reverend Benjamin Weir was released in Beirut.

Subsequent efforts by both governments to continue this process have met with frustration due to the need to communicate our intentions through an Iranian expatriate arms dealer in Europe. In January 1986, under the provisions of a new Covert Action Finding, the USG demanded a meeting with responsible Iranian government officials.

On February 20, a U.S. Government official met with

the first direct U.S.-Iranian contact in over five years. At this meeting, the U.S. side made an effort to refocus Iranian attention on the threat posed by the Soviet Union and the need establish a longer term relationship between our two countries based on more than arms transactions. It was emphasized that t hostage issue was a "hurdle" which must be crossed before this improved relationship could prosper. During the meeting, it al became apparent that our conditions/demands had not been accura transmitted to the Iranian Government by the intermediary and i was agreed that:

-- The USG would establish its good faith and bona fides by immediately providing 1,000 TOW missiles for sale to Iran. This transaction was covertly completed on February 21, using a private U.S. firm and the Israelis as intermediari

-- A subsequent meeting would be held in Iran with senior U.S and Iranian officials during which the U.S. hostages would be released.

-- Immediately after the hostages were safely in our hands, U.S. would sell an additional 3,000 TOW missiles to Iran using the same procedures employed during the September 1 transfer.

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Released on 4May87
under provisions of E.O.
by [illegible] National Security Council

N 7516

In early March, the Iranian expatriate intermediary demanded that Iranian conditions for release of the hostages now included the prior sale of 200 PHOENIX missiles and an unspecified number of HARPOON missiles, in addition to the 3,000 TOWs which would be delivered after the hostages were released. A subsequent meeting was held with the intermediary in Paris on March 8, wherein it was explained that the requirement for prior deliveries violated the understandings reached in Frankfurt on February 20, and were therefore unacceptable. It was further noted that the Iranian aircraft and ship launchers for these missiles were in such disrepair that the missiles could not be launched even if provided.

From March 9 until March 30, there was no further effort undertaken on our behalf to contact the Iranian Government or the intermediary. On March 26 [redacted] made an unsolicited call to the phone-drop in Maryland which we had established for this purpose. [redacted] asked why we had not been in contact and urged that we proceed expeditiously since the situation in Beirut was deteriorating rapidly. He was informed by our Farsi-speaking interpreter that the conditions requiring additional materiel beyond the 3,000 TOWs were unacceptable and that we could in no case provide anything else prior to the release of our hostages. [redacted] observed that we were correct in our assessment of their inability to use PHOENIX and HARPOON missiles and that the most urgent requirement that Iran had was to place their current HAWK missile inventory in working condition. In a subsequent phone call, we agreed to discuss this matter with him and he indicated that he would prepare an inventory of parts required to make their HAWK systems operational. This parts list was received on March 28, and verified by CIA.

Current Situation. On April 3, Ari Gorbanifahr, the Iranian intermediary, arrived in Washington, D.C. with instructions from [redacted] to consummate final arrangements for the return of the hostages. Gorbanifahr was reportedly enfranchised to negotiate the types, quantities, and delivery procedures for materiel the U.S. would sell to Iran through Israel. The meeting lasted nearly all night on April 3-4, and involved numerous calls to Tehran.

[redacted] A Farsi-speaking CIA officer in attendance was able to verify the substance of his calls to Tehran during the meeting. Subject to Presidential approval, it was agreed to proceed as follows:

-- By Monday, April 7, the Iranian Government will transfer $17 million to an Israeli account in Switzerland. The Israelis will, in turn, transfer to a private U.S. corporation account in Switzerland the sum of $15 million.

-- On Tuesday, April 8 (or as soon as the transactions are verified), the private U.S. corporation will transfer $3.651 million to a CIA account in Switzerland. CIA will then transfer this sum to a covert Department of the Army account in the U.S.

-- On Wednesday, April 9, the CIA will commence procuring $3.651 million worth of HAWK missile parts (240 separate line items) and transferring these parts to [redacted] This process is estimated to take seven working days.

-- On Friday, April 18, a private U.S. aircraft (707B) will pick-up the HAWK missile parts(and fly them to a covert Israeli airfield for prepositioning (this field was used for the earlier delivery of the 1000 TOWs). At this field, the parts will be transferred to an Israeli Defense Forces' (IDF) aircraft with false markings. A SATCOM capability will be positioned at this location.

-- On Saturday, April 19, McFarlane, North, Teicher, Cave, and a SATCOM communicator will board a CIA aircraft in Frankfurt, Germany, enroute to Tehran.

-- On Sunday, April 20, the following series of events will occur:

  - U.S. party arrives Tehran (A-hour) -- met by Rafsanjani, as head of the Iranian delegation.
  - At A+7 hours, the U.S. hostages will be released in Beirut.
  - At A+15 hours, the IDF aircraft with the HAWK missile parts aboard will land at Bandar Abbas, Iran.

Discussion. The following points are relevant to this transaction, the discussions in Iran, and the establishment of a broader relationship between the United States and Iran:

-- The Iranians have been told that our presence in Iran is a "holy commitment" on the part of the USG that we are sincere and can be trusted. There is great distrust of the U.S. among the various Iranian parties involved. Without our presence on the ground in Iran, they will not believe that we will fulfill our end of the bargain after the hostages are released.

N 7518

-- [redacted]

Further, the Iranians are well aware that the situation in Beirut is deteriorating rapidly and that the ability of the IRGC to effect the release of the hostages will become increasingly more difficult over time.

-- We have convinced the Iranians of a significant near term and long range threat from the Soviet Union. We have real and deceptive intelligence to demonstrate this threat during the visit. They have expressed considerable interest in this matter as part of the longer term relationship.

-- We have told the Iranians that we are interested in assistance they may be willing to provide to the Afghan resistance and that we wish to discuss this matter in Tehran.

-- The Iranians have been told that their provision of assistance to Nicaragua is unacceptable to us and they have agreed to discuss this matter in Tehran.

-- We have further indicated to the Iranians that we wish to discuss steps leading to a cessation of hostilities between Iran and Iraq.

-- The Iranians are well aware that their most immediate needs are for technical assistance in maintaining their air force and navy. We should expect that they will raise this issue during the discussions in Tehran. Further conversation with Gorbanifahr on April 4, indicates that they will want to raise the matter of the original 3,000 TOWs as a significant deterrent to a potential Soviet move against Iran. They have also suggested that, if agreement is reached to provide the TOWs, [redacted] We have agreed to discuss this matter.

-- The Iranians have been told and agreed that they will receive neither blame nor credit for the seizure/release of the hostages.

-- The residual funds from this transaction are allocated as follows:

  - $2 million will be used to purchase replacement TOWs for the original 508 sold by Israel to Iran for the release of Benjamin Weir. This is the only way that we have found to meet our commitment to replenish these stocks.

  - $12 million will be used to purchase critically needed supplies for the Nicaraguan Democratic Resistance Forces. This materiel is essential to cover shortages in resistance inventories resulting from their current offensives and Sandinista counter-attacks and to "bridge" the period between now and when Congressionally approved lethal assistance (beyond the $25 million in "defensive" arms) can be delivered.

The ultimate objective in the trip to Tehran is to commence the process of improving U.S.-Iranian relations. Both sides are aware that the Iran-Iraq War is a major factor that must be discussed. We should not, however, view this meeting as a session which will result in immediate Iranian agreement to proceed with a settlement with Iraq. Rather, this meeting, the first high-level U.S.-Iranian contact in five years, should be seen as a chance to move in this direction. These discussions, as well as follow-on talks, should be governed by the Terms of Reference (TOR) (Tab A) with the recognition that this is, hopefully, the first of many meetings and that the hostage issue, once behind us, improves the opportunities for this relationship.

Finally, we should recognize that the Iranians will undoubtedly want to discuss additional arms and commercial transactions as "quids" for accommodating [redacted], Nicaragua, and Iraq. Our emphasis on the Soviet military and subversive threat, a useful mechanism in bringing them to agreement on the hostage issue, has also served to increase their desire for means to protect themselves against/deter the Soviets.

RECOMMENDATION

That the President approve the structure depicted above under "Current Situation" and the Terms of Reference at Tab A.

Approve _____ Disapprove _____

Attachment
    Tab A - U.S.-Iranian Terms of Reference

~~SECRET~~ ~~SECRET~~ 000[illegible] SENSITIVE

April 4, 1986

TERMS OF REFERENCE
U.S.-Iran Dialogue

N 7520

I. BASIC PILLARS OF U.S. FOREIGN POLICY (Optional)

-- President Reagan came into office at a time when Iran had had a certain impact on the American political process -- perhaps not what you intended.

-- The President represented and embodied America's recovery from a period of weakness. He has rebuilt American military and economic strength.

-- Most important, he has restored American will and self-confidence. The U.S. is not afraid to use its power in defense of its interests.

✓ [redacted]

-- At the same time, we are prepared to resolve political problems on the basis of reciprocity.

-- We see many international trends -- economic, technological, and political -- working in our favor.

II. U.S. POLICY TOWARD IRAN: BASIC PRINCIPLES

A. U.S. Assessment of Iranian Policy.

- We view the Iranian revolution as a fact. The U.S. is not trying to turn the clock back.

- Our present attitude to Iran is not a product of prejudice or emotion, but a clear-eyed assessment of Iran's present policies.

- Iran has used "revolutionary Islam" as a weapon to undermine pro-Western governments and American interests throughout the Middle East. As long as this is Iran's policy, we are bound to be strategic adversaries.

- Support of terrorism and hostage-taking is part of this strategic pattern. We see it used not only against us, but against our friends. We cannot accept either. Your influence in achieving the release of all hostages return of those killed (over time) is essential.

~~SECRET~~
Declassify: OADR ~~SECRET~~ SENSITIVE

- We see your activity in many parts of the world, including even Central America.

- The U.S. knows how Iran views the Soviet Union. But subversion of Western interests and friends objectively serves Soviet interests on a global scale.

- Thus, our assessment is that a decisive Iranian victory in the war with Iraq would only unleash greater regional instability, a further erosion of the Western position, and enhanced opportunities for Soviet trouble-making.

- The U.S. will therefore do what it can to prevent such a development. We regard the war as dangerous in many respects and would like to see an end to it.

B. Possible Intersections of U.S.-Iranian Interests.

- Despite fundamental conflicts, we perceive several possible intersections of U.S. and Iranian interests. I propose we explore these areas.

- First, the U.S. has had a traditional interest in seeing Iran preserve its territorial integrity and independence. This has not changed. The U.S. opposes Soviet designs on Iran.

- Second, we have no interest in an Iraqi victory over Iran.

  We are seeking an end to this conflict and want to use an improved relationship with Iran to further that end.

- Third, we have parallel views on Afghanistan. Soviet policy there is naked aggression, a threat to all in the region.

  But our objective is the same: the Soviets must get out and let the Afghan people choose their own course.

C. U.S. Objective Today.

- We have no illusions about what is possible in our bilateral relations. Perhaps this meeting will reveal only a limited, momentary, tactical coincidence of interests. Perhaps more. We are prepared either way.

- In essence, we are prepared to have whatever kind of relationship with Iran that Iran is prepared to have with us.

~~SECRET~~

~~SECRET~~ SENSITIVE

N 7522

III. SOVIET MILITARY POSTURE

-- Moscow has designs on parts of Iran. ([redacted]

-- Afghanistan illustrates the price the Soviets are ready to pay to expand areas under their direct control.

-- Summarize Soviet capabilities along border and inside Afghanistan which could threaten Tehran.

-- U.S. is aware of Soviet activity)

-- Soviet plans( ) How they would do it.

-- Iranian support to Sandinista regime in Nicaragua aids and abets Soviet designs -- makes U.S.-Iranian relationship more difficult ($100 million in oil last year, plus arms).

-- U.S. can help Iran cope with Soviet threat.

IV. AFGHANISTAN

-- May be real value for Iran and U.S. to find ways to cooperate against Moscow in Afghanistan.

-- U.S. can provide humanitarian assistance for refugees( )

-- We need to know who you work with, what you already provide, and devise strategy to exploit Iranian comparative advantage.

V. HARDWARE

-- We may be prepared to resume a limited military supply relationship.

-- However, its evolution and ultimate scope will depend on whether our convergent or our divergent interests come to loom larger in the overall picture.

-- What does Iran want?

~~SECRET~~ ~~SECRET~~ SENSITIVE

EXHIBIT 11

000541

#44

N 12528

...to Reply to note of 05/16/86 16:19 [redacted]

NOTE FROM: OLIVER NORTH
Subject: IRAN AND TERRORISM

I passed the info, w/o mentioning him to both Clarridge and Casey. Clarridge believes that there may indeed be something to the offer as [redacted]

Will work w/ Dewey on a meeting plan which we may wish to carry out after we complete the hostage arrangements.

You should be aware that the resistance support organization now has more than $6M available for immediate disbursement. This reduces the need to go to third countries for help. It does not, however, reduce the urgent need to get CIA back into the management of this program. We can only do this by going forward with the reprogramming proposal and getting the requisite authorities for CIA involvement. Unless we do this, we will run increasing risks of trying to manage this program from here with the attendant physical and political liabilities. I am not complaining, and you know that I love the work, but we have to lift some of this onto the CIA so that I can get more than 2-3 hrs of sleep at night. The more money there is (and we will have a considerable amount in a few more days) the more visible the program becomes (airplanes, pilots, weapons, deliveries, etc.) and the more inquisitive will become people like Kerry, Barnes, Harkins, et al. While I care not a whit what they say about me, it could well become a political embarrassment for the President and you. Much of this risk can be avoided simply by covering it with an authorized CIA program undertaken with the $15M. This is what I was about to say in the meeting today and a point that I believe Shultz does not understand in his advocacy of third country solicitation. I have no idea what Don Regan does or does not know re my private U.S. operation but the President obviously

[illegible] on 4 May 87
[illegible] 12356
[illegible]

JMP 8/69 ⑰

EXHIBIT
11

[redacted]

000542

N 12529

FILE: AAT06 [redacted]10 WHITE HOUSE COMMUNICATIONS AGENCY

knows why he has been meeting with several select people to thank them for their "support for Democracy" in CentAm. In short, we need to proceed with the $15M. Shall I work this up? Warm regards, North

IRAN AND TERRORISM

MSG FROM: NSOLN --CPUA TO: NSJMP --CPUA 05/16/86 10:02:01

To: NSJMP --CPUA JOHN M. POINDEXTER

JMP 5/17 (6)

EXHIBIT 12

000543

#36

N 12565

LOG [redacted] AO WHITE HOUSE COMMU... ---

UNCLASSIFIED

*** Reply to note of 07/15/86 19:07
NOTE FROM: OLIVER NORTH
Subject: PRIVATE BLANK CHECK

We are rapidly approaching the point where the PROJECT DEMOCRACY assets in CentAm need to be turned over to CIA for use in the new program. The total value of the assets (six aircraft, warehouses, supplies, maintenance facilities, ships, boats, leased houses, vehicles, ordnance, munitions, communications equipment, and a 6520' runway on property owned by a PRODEM proprietary) is over $4.5M.

All of the assets - and the personnel- are owned/paid by overseas companies with no U.S. connection. All of the equipment is in first rate condition and is already in place. It wd be ludicrous for this to simply disappear just because CIA does not want to be "tainted" with picking up the assets and then have them spend $8-10M of the $100M to replace it - weeks or months later. Yet, that seems to be the direction they are heading, apparently based on NSC guidance.

If you have already given Casey instructions to this effect, I wd vy much like to talk to you about it in hopes that we can reclama the issue. All seriously believe that immediately after the Senate vote the DRF will be subjected to a major Sandinista effort to break them before the U.S. aid can become effective. PRODEM currently has the only assets available to support the DRF and the CIA's most ambitious estimate is 30 days after a bill is signed before their own assets will be available. This will be a disaster for the DRF if they have to wait that long. Given our lack of movement on other funding options, and Elliot plea for PRODEM to get food to the resistance ASAP, PRODEM will have to borrow at least $2M to pay for the food. That's O.K., and Dick is willing to do so tomorrow - but only if there is reasonable assurance that the lenders can be repaid. The only way that the $2M in food money can be repaid is if CIA purchases the $4.5M* worth of PRODEM equipment for about $2.25M when the law passes. [redacted]

[redacted] told them where they can get them commercially from the USAF as excess - the same way PRODEM bought them under proprietary arrangements. It is just unbelievable. If you wish I can send you a copy of the 'PROJECT DEMOCRACY status report which includes a breakdown of assets. It is awful, nonattributable reading. Warm Regards, North

) PRIVATE BLANK CHECK

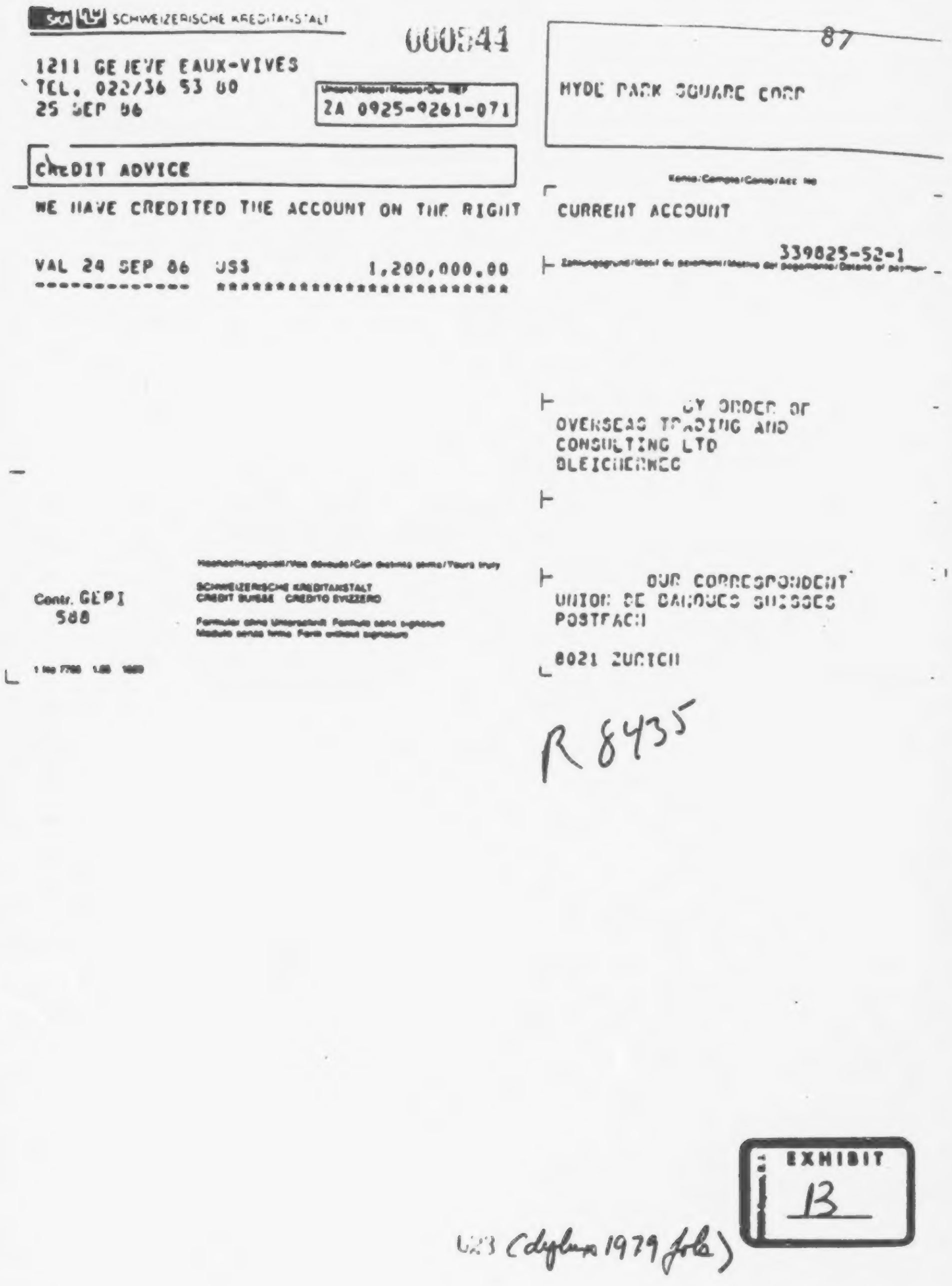
[redacted]

4 May 87

JMP 5/186 (18)

EXHIBIT
12

EXHIBIT 13



SCHWEIZERISCHE KREDITANSTALT

000544

1211 GENEVE EAUX-VIVES
TEL. 022/36 53 00
25 SEP 86

Unsere/Notre/Nostra/Our REF
2A 0925-9261-071

87

HYDE PARK SQUARE CORP

CREDIT ADVICE

WE HAVE CREDITED THE ACCOUNT ON THE RIGHT

Konto/Compte/Conto/Acc. No
CURRENT ACCOUNT
339825-52-1

VAL 24 SEP 86 US$ 1,200,000.00
------------- ************************

Zahlungsgrund/Motif du paiement/Motivo del pagamento/Details of payment

BY ORDER OF
OVERSEAS TRADING AND
CONSULTING LTD
BLEICHERWEG

OUR CORRESPONDENT
UNION DE BANQUES SUISSES
POSTFACH
8021 ZURICH

Hochachtungsvoll/Vos dévoués/Con distinta stima/Yours truly

SCHWEIZERISCHE KREDITANSTALT
CREDIT SUISSE CREDITO SVIZZERO

Formular ohne Unterschrift Formule sans signature
Modulo senza firma Form without signature

Contr. GEPI
588

R 8435

U23 (duplex 1979 fols)

EXHIBIT
13

EXHIBIT 14

of the firm: UDALL RESEARCH CORPORATION

For internal use

H 821

Specimen signatures

Business: Achat et vente de biens

Registered Office: Apartado postal 7284

Address: (City, street and number) Panama City 5 - Rep. of Panama

The persons named below are authorized to represent without restrictions the firm in its relations with **CREDIT SUISSE**. In particular they are empowered to operate the current account and/or safe custody account of the firm, to contract loans, to sign and endorse checks and bills, to borrow on mortgages or other securities, and to sell, pledge or withdraw securities on behalf of the firm. Regardless of any changes published in the Register of Commerce or otherwise, the signatures below are valid until revoked by special notice to the Bank.

Full name of persons authorized to sign		Specimen of signatures	Form of signature (Individually, jointly by two, collectively)
Willard I. Zucker	1	Willard Zucker	Individual
Roland Farina	2	Farina	Individual
	3		
	4		
	5		
	6		
	7		
	8		
	9		
	10		
	11		
	12		

ANNULÉ

The undersigned firm authenticates the above signatures and confirms the signing powers indicated above. In addition, the firm approves the Bank's General Conditions, especially **the clause on Applicable Law and Legal Domicile (Article 14)**.

Place and date: Geneva, 14 March 1986

Signature of the Firm:
UDALL RESEARCH CORPORATION
Farina

EXHIBIT
14

[redacted]

#

the firm: UDALL RESEARCH CORPORATION 822	For internal use

Specimen signatures

ess:

gistered Office:

Address:
(City, street and number)

The persons named below are authorized to represent without restrictions the firm in its relations with **CREDIT SUISSE**. In particular they are empowered to operate the current account and/or safe custody account of the firm, to contract loans, to sign and endorse checks and bills, to borrow on mortgages or other securities, and to sell, pledge or withdraw securities on behalf of the firm. Regardless of any changes published in the Register of Commerce or otherwise, the signatures below are valid until revoked by special notice to the Bank.

Full name of persons authorized to sign	Specimen of signatures	Form of signature (individually, jointly by two, collectively)
ZUCKER Willard I.		Individual
FARINA Roland		Individual
HAKIM Albert		Individual

The undersigned firm authenticates the above signatures and confirms the signing powers indicated above. In addition the firm approves the Bank's General Conditions, especially the clause on Applicable Law and Legal Domicile (Article 14).

Place and date: Geneva, May 20, 1986.

Signature of the Firm: UDALL RESEARCH
CORPORATION

n de la Maison UDALL RESEARCH CORPORATION

Pour les besoins internes

H

823

Spécimen de signatures

Branche

Siege

Adresse
Lieu, rue, numero

Les personnes indiquees ci-apres sont autorisees a representer sans restrictions la Maison soussignee dans ses relations d'affaires avec le Credit Suisse. Elles peuvent en particulier utiliser le compte courant ouvert au nom de cette Maison, contracter en son nom des emprunts, souscrire des engagements de change et grever des immeubles, aliener, donner en gage ou retirer des papiers-valeurs. Les signatures apposees ci-dessous conserveront leur validite independamment des inscriptions faites au Registre du commerce et même apres le deces du titulaire d'une raison individuelle, tant que leur revocation n'aura pas ete expressement communiquee à la banque.

Nom et prenom de la personne autorisee à signer		Spécimen de signature	Mode de signature (individuelle, collective à deux, conjointe)
ZUCKER Willard I.	1		Individual
FARINA Roland	2		Individual
	3		
	4		
	5		
	6		
	7		
	8		
	9		
	10		
	11		
	12		
	13		

La Maison soussignée atteste l'authenticité des signatures ci-dessus et la validite des pouvoirs conferes par elle aux personnes indiquees. Elle declare accepter les Conditions generales de la Banque, en particulier la clause relative au for conventionnnel (art. 14).

Lieu et date Geneva, March 14, 1986

Signature de la Maison
Voir instructions au verso

UDALL RESEARCH
CORPORATION

Déclaration lors de l'ouverture d'un compte ou d'un dépôt

(Formulaire A selon art. 4 et 5 CDB)

824

Par la présente, le soussigné déclare:

☐ qu'il agit pour son propre compte

☒ qu'il agit pour le compte de la (des) personne(s) suivante(s)

Nom/Raison sociale	Domicile, Pays
UDALL RESEARCH CORPORATION	Panama

☒ que la société de domicile qu'il représente est en mains des personnes physiques suivantes:

Nom(s)	Prénom(s)	Domicile, Pays
PARK	Gi-Nam	Republic of Korea

(indiquer par une croix ce qui convient)

Le soussigné prend connaissance du fait que le secret bancaire protégé par l'art. 47 de la loi sur les banques et les caisses d'épargne du 8 novembre 1934/11 mars 1971 n'est pas absolu. Les membres des organes, les employés et les mandataires de la banque ont l'obligation de renseigner les autorités et de témoigner en justice lorsque les dispositions de la législation fédérale ou cantonale le prévoient (à l'occasion d'un procès pénal, par exemple). Une telle obligation existe également envers des autorités étrangères, dans la mesure où la Confédération suisse accorde une entraide judiciaire à l'Etat concerné.

Enfin, le soussigné prend connaissance du fait que le système des comptes et des dépôts numérotés ou désignés par un code est une mesure purement interne à la banque et ne modifie aucunement l'obligation de renseigner les autorités et de témoigner en justice.

COMPAGNIE DE SERVICES FIDUCIAIRES SA

Nom / Prénom

3 ter, chemin Thury - Case postale 303 - 1211 GENEVE 12

Adresse exacte

Geneva, 14 March 1986

Lieu et date / Signature

H

825

Déclaration lors de l'ouverture d'un compte ou d'un dépôt

(Formulaire A selon art. 4 et 5 CDB)

Par la présente, le soussigné déclare

☐ qu'il agit pour son propre compte

☒ qu'il agit pour le compte de la (des) personne(s) suivante(s):

Nom/Raison sociale	Domicile, Pays
UDALL RESEARCH CORPORATION	PANAMA

☒ que la société de domicile qu'il représente est en mains des personnes physiques suivantes:

Nom(s)	Prénom(s)	Domicile, Pays
SECORD	Richard V.	U.S.A.

(indiquer par une croix ce qui convient)

Le soussigné prend connaissance du fait que le secret bancaire protégé par l'art. 47 de la loi sur les banques et les caisses d'épargne du 8 novembre 1934/11 mars 1971 n'est pas absolu. Les membres des organes, les employés et les mandataires de la banque ont l'obligation de renseigner les autorités et de témoigner en justice lorsque les dispositions de la législation fédérale ou cantonale le prévoient (à l'occasion d'un procès pénal, par exemple). Une telle obligation existe également envers des autorités étrangères, dans la mesure où la Confédération suisse accorde une entraide judiciaire à l'Etat concerné.

Enfin, le soussigné prend connaissance du fait que le système des comptes et des dépôts numérotés ou désignés par un code est une mesure purement interne à la banque et ne modifie aucunement l'obligation de renseigner les autorités et de témoigner en justice.

COMPAGNIE DE SERVICES FIDUCIAIRES SA
Nom Prénom

3ter, chemin Thury - Case postale 303 - 1211 GENEVE 12
Adresse exacte

Geneva, 14 mars 1986
Lieu et date Signature

Demande d'ouverture d'un compte au Crédit Suisse - Genève

ii 826

M., ☐ Mme*, ☐ Mlle ☐ __________

Prénom(s) __________

Date de naissance __________ Nationalité __________ Régime matrimonial __________

Domicile __________

Profession __________ ☐ __________

* Pour les femmes mariées, indiquer le nom de jeune fille et le régime matrimonial

S compte joint ☐ (compléter au verso)

OU

Raison sociale UDALL RESEARCH CORPORATION

Année de fondation 1985 Nationalité Panama

Domicile Apartado postal 7284

Panama 5 - Rep. de Panama

Branche (genre d'activité) Achat et vente de biens de toutes sortes ☐

désire ouvrir : un compte courant en frs ☐ en $ ☒ en ___ ☐ } avec ☐ / sans ☐ } dépôt de titres

un compte "privé" ☐ (à disponibilité limitée)

un carnet d'épargne ☐

La correspondance, en 1 exemplaire(s) établie de préférence en ☐ français ☐ allemand

☐ __________ ☒ anglais ☐ espagnol

devra être : conservée chez vous ☐ adressée ☒ à :

c/o CSF
Case postale 303
1211 GENEVE 12

☐ Il est également possible d'ouvrir un compte au nom de plusieurs titulaires. Leurs noms figureront au verso. Toutefois, le caractère de compte-joint (avec signature individuelle) ne sera juridiquement reconnu qu'après signature, par chacun des cotitulaires, d'une formule séparée (contrat de compte-joint). Quant aux "comptes collectifs" (avec signatures collectives) ils doivent faire l'objet d'instructions spéciales.

☐ Le(s) titulaire(s) peut (peuvent) désigner un ou plusieurs fondés de pouvoir dont les noms figureront au verso. Leurs pouvoirs ne seront toutefois juridiquement reconnus qu'après signature de la formule séparée de procuration.

Remarques: Il est entendu que le (les) titulaire(s) du compte a (ont) pris connaissance des conditions générales et du règlement de dépôt de la banque, à savoir notamment que les avoirs en comptes monnaies étrangères sont déposés au nom de la banque et à sa disposition, mais aux risques des clients, auprès d'un correspondant à l'étranger et que ces avoirs sont soumis à toutes les lois, décisions, mesures, etc., qui y sont actuellement en vigueur ou qui le seront à l'avenir.
En outre, la correspondance envoyée à l'adresse indiquée ou retenue conformément aux instructions reçues sera considérée comme expédiée au déposant. Celui-ci assume la responsabilité de toutes les conséquences et de tout dommage pouvant résulter du fait que la correspondance est envoyée ou retenue. Sous réserve de conventions spéciales, la banque décline toute obligation de procéder sans mandat exprès à des actes de gestion, mais ceux qu'elle déciderait d'accomplir dans l'intention de sauvegarder les intérêts du déposant n'entraîneront aucune responsabilité pour elle.

Références du client : __________ Lieu Genève Date 14 mars 1986

Signature du titulaire : __________

UDALL RESEARCH CORPORATION

Légitimation __________

Réf. : __________ Visum : __________

[illegible]

Déclaration lors de l'ouverture d'un compte ou d'un dépôt

(Formulaire A selon art. 4 et 5 CDB) H 827

Par la présente, le soussigné déclare

☐ qu'il agit pour son propre compte

☒ qu'il agit pour le compte de la (des) personne(s) suivante(s)

Nom/Raison sociale	Domicile, Pays
UDALL RESEARCH CORPORATION	PANAMA

☒ que la société de domicile qu'il représente est en mains des personnes physiques suivantes:

Nom(s)	Prénom(s)	Domicile, Pays
SECORD	Richard V.	U.S.A.

(indiquer par une croix ce qui convient)

Le soussigné prend connaissance du fait que le secret bancaire protégé par l'art. 47 de la loi sur les banques et les caisses d'épargne du 8 novembre 1934/11 mars 1971 n'est pas absolu. Les membres des organes, les employés et les mandataires de la banque ont l'obligation de renseigner les autorités et de témoigner en justice lorsque les dispositions de la législation fédérale ou cantonale le prévoient (à l'occasion d'un procès pénal, par exemple). Une telle obligation existe également envers des autorités étrangères, dans la mesure où la Confédération suisse accorde une entraide judiciaire à l'Etat concerné.
Enfin, le soussigné prend connaissance du fait que le système des comptes et des dépôts numérotés ou désignés par un code est une mesure purement interne à la banque et ne modifie aucunement l'obligation de renseigner les autorités et de témoigner en justice.

COMPAGNIE DE SERVICES FIDUCIAIRES SA
Nom Prénom

3ter, chemin Thury - Case postale 303 - 1211 GENEVE 12
Adresse exacte

Geneva, 14 mars 1986
Lieu et date Signature

Specimen signatures

Business Achat et vente de biens

Registered Office: Apartado postal 7284

Address: Panama City 5 - Rep. of Panama
(City, street and number)

[illegible]

The persons named below are authorized to represent without restrictions the firm in its relations with **CREDIT SUISSE**. In particular they are empowered to operate the current account and/or safe custody account of the firm, to contract loans, to sign and endorse checks and bills, to borrow on mortgages or other securities, and to sell, pledge or withdraw securities on behalf of the firm. Regardless of any changes published in the Register of Commerce or otherwise, the signatures below are valid until revoked by special notice to the Bank.

Full name of persons authorized to sign		Specimen of signatures	Form of signature (individually, jointly by two, collectively)
Willard I. Zucker	1	Willard I. Zucker	Individual
Roland Farina	2	Farina	Individual
	3		
	4		
	5		
	6		
	7		
	8		
	9		
	10		
	11		
	12		

The undersigned firm authenticates the above signatures and confirms the signing powers indicated above. In addition, the firm approves the Bank's General Conditions, especially the clause on **Applicable Law and Legal Domicile (Article 14).**

Place and date: Geneva, 14 March 1986

Signature of the Firm:
UDALL RESEARCH CORPORATION
Farina

Nr 71 180 5

H

CREDIT SUISSE 829 FOUNDED 1856

SCHWEIZERISCHE KREDITANSTALT
CREDITO SVIZZERO

Contract for the opening of an account and / or safekeeping account

Between
(hereinafter called the 'Depositor')

UDALL RESEARCH CORPORATION

and Credit Suisse
(hereinafter called the 'Bank')

the following has been agreed upon.

1. Account(s)

The Bank is instructed to credit funds to an account to be opened in the name of

UDALL RESEARCH CORPORATION

Said account is subject to the terms and conditions fixed separately.

2. Safekeeping account

If, at the present time or subsequent date, securities or other valuables should be delivered to the Bank for safekeeping, these items are to be placed into a safekeeping account carried in the same name as the account.

3. Accounting

In the absence of instructions to the contrary, transactions executed on behalf of the Depositors will be passed over the account(s) referred to under cipher 1. The same account(s) will also be credited with the income derived from securities lodged in safekeeping as well as with all remittances in foreign currency received in favour of the Depositors, provided conversion is possible.

4. More than one Depositor

In the case of two or more Depositors they enjoy the rights of joint creditors within the meaning of Art. 150 of the Swiss Federal Code of Obligations.

Consequently, each Depositor is entitled, individually and independently of the other(s),

a) to dispose of the cash funds in the account(s), in whole or in part

b) to operate the safekeeping account on his sole signature, namely to place securities and other valuables into, to withdraw all or part of the securities or other valuables from the safekeeping account, to pledge these items etc.

CREDIT SUISSE

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General Conditions

The General Conditions in the German language (Allgemeine Geschaftsbedingungen) govern the relationship between the Bank and its clients subject to any special agreement in writing which may be concluded between the Bank and a client in any particular case. Certain categories of business are also subject to the Bank's special regulations as well as established rules of banking usage.
The following translation has been prepared for the benefit of clients. However, the definitive text is the German and in the event of any discrepancy the German original shall prevail.

Art. 1 Power of disposition

Until written notice of revocation is received by the Bank instructions as to authorized signatures communicated to the Bank in writing shall alone be valid, notwithstanding any information to the contrary contained in the Commercial Register or any public announcement.

Art. 2 Examination of signatures and identity

Although the Bank undertakes to examine carefully the signatures of its clients and their duly appointed representatives, it shall not be bound to make any further examination with respect to identity. No liability is assumed for the consequences of falsifications or faulty identification which, despite the exercise of due care, the Bank does not detect.

Art. 3 Legal incapacity

The client is liable for any damage resulting from incapacity to act unless notice of such incapacity has been given in an official publication in Switzerland. The client is liable in all cases for any damage or loss resulting from incapacity on the part of his representative or other third party.

Art. 4 Communications from the Bank

Communications from the Bank shall be deemed to have been duly transmitted if sent to the last address supplied to the Bank by the client. The date of dispatch shall be deemed to be the date shown on the copy or the mailing list in the Bank's possession. Mail to be retained by the Bank shall be deemed to have been delivered on the date it bears.

Art. 5 Errors in transmission

Damage resulting from the use of the postal services, telegraph, telephone, telex or other means of communication or transport, and in particular from loss, delay, misunderstandings, mutilation or duplicate dispatch shall be borne by the client provided that the Bank has not acted with gross negligence.

Art. 6 Faulty execution of instructions

In the event of damage resulting from the non-execution or late execution of instructions (with the exception of instructions relating to stock exchange transactions), the Bank's liability shall be limited to an amount equal to the loss of interest, unless its attention has been expressly directed to the risk of more extensive damage at the time of and in respect of such instructions.

Art. 7 Complaints

Complaints by a client relating to the execution or non-execution of instructions of any kind as well as to other communications from the bank must be lodged forthwith upon the client receiving notice of the matter for complaint and at the latest within the particular period specified by the Bank. If the Bank fails to send a notice which the client expects, the client must nevertheless lodge his complaint as if he had received the notice by ordinary mail. Any damage arising from delay in making a complaint shall be borne by the client.
Objections concerning statements of account or deposit must be submitted within one month of receipt. Upon expiry of this period the statement shall be deemed to have been approved. The express or tacit approval of a statement shall imply approval of all entries contained therein as well as possible reservations mentioned in the statement by the Bank.

Art. 8 Right of lien and set-off

The Bank has a right of lien on all assets it holds for the account of a client whether in its own custody or placed elsewhere and a right of set-off as regards all funds credited to a client's account in respect of all claims which the Bank may have against the client, irrespective of the due dates of such claims or currencies in which they are expressed and whether or not credit facilities have been granted unsecured or against special security. Immediately upon default by the client the Bank shall be entitled without further notice to dispose, either by enforced sale or in the open market, of any assets over which it has a right of lien.

Art. 9 Accounts

The accounts are balanced quarterly, half-yearly or yearly, at the Bank's discretion. Periodical statements of account may be substituted by daily statements. No deductions are allowed from interest and commissions due to the Bank. Any expenses, taxes or other charges shall be borne by the client. The Bank reserves the right to alter its interest and commission rates at any time according to changes in market conditions and to advise the client thereof by way of circular letter or in any other suitable form.
If the client gives several instructions, the total amount of which exceeds his credit balance or the facilities granted to him, the Bank is entitled to carry out any of the instructions at its discretion, in whole or in part, irrespective of the date they bear or the date of their receipt by the Bank.

Art. 10 Accounts in foreign currencies

The bank's assets corresponding to the customer's credits in foreign currency are held in the same currency in or outside of the country whose currency is involved. The customer bears proportionately to his share all the economic and legal consequences which, as a result of measures taken by such country, affect all the bank's assets in the country of the currency or in the country where the funds are invested.
The obligations of the bank arising from accounts in foreign currencies shall be discharged exclusively at the place of business of the office carrying the accounts and solely through the establishment of a credit entry in the country of the currency at the bank's own branch, a correspondent bank or a bank named by the customer.

Art. 11 Drafts, cheques and similar instruments

The Bank reserves the right to debit the client's account with drafts, cheques or similar instruments, previously credited or discounted, in the event of their non-payment.
Pending the settlement of any outstanding debit balance however the Bank retains a claim to payment of the total amount of the instrument plus related claims against any party liable under the instrument, whether such claims emanate from the instrument or exist for any other legal reason.

Art. 12 Termination of business relationship

The Bank reserves the right at any time and at its own discretion to terminate existing business connections and in particular to cancel credit facilities which it has granted and furthermore to demand repayment of debts of any nature without further notice.

Art. 13 Saturday an official holiday

In all business transactions with the Bank, Saturday shall be treated as an official bank holiday.

Art. 14 Applicable law and venue for legal proceedings

These conditions and all relations between the client and the Bank are governed by Swiss law. The place of performance of the obligations of both parties, the place of prosecution for debt (Schuldbetreibung, poursuite pour dettes) against clients resident outside Switzerland and the sole venue for any proceedings at law is the town where the respective office of the Bank is situated. The Bank however reserves the right to take legal action before the courts of the client's domicile or before any other competent court.

(see overleaf)

CREDIT SUISSE

Regulations for the Safekeeping of Securities and Other Valuables

The Bank's Regulations for the Safekeeping of Securities and Other Valuables in the German language (Depotreglement) govern the relationship between the Bank and the depositor. The following translation has been prepared for the benefit of depositors. However, the definitive text of the safekeeping regulations is the German and in the event of any discrepancy the German original shall prevail.

A. General Regulations

§ 1 Deposits

Credit Suisse accepts

a) for safekeeping as open deposits
   Securities of all kinds (shares, bonds, debentures, lottery tickets, mortgage deeds etc.) as well as precious metals (gold, silver, etc.).

b) for safekeeping as sealed deposits:
   Documents, valuables and other similar items (subject to the provisions of § 17)

The Bank is at liberty to decline, in whole or in part, any proposed deposits without giving any reasons for its refusal.

§ 2 Application of General Conditions

The General Conditions (overleaf) shall apply to every type of deposit.

§ 3 Safekeeping

The Bank undertakes to exercise due care in keeping the deposits entrusted to it in its vaults.

§ 4 Banking secrecy

Under the Swiss Federal Law relating to Banks and Savings Institutions, members of the Bank's Management and staff are bound to strictest secrecy regarding all dealings between the bank and its clients.

§ 5 Duration of deposit

Deposits are accepted for an indeterminate period. The depositor is entitled at any time during customary banking hours to request the return of items deposited. The Bank also has the right to demand at any time the withdrawal of items deposited.

§ 6 Acknowledgements of receipt

Upon request, the Bank will furnish depositors with duly signed acknowledgements of receipt bearing an exact description of the items accepted for safekeeping.
These acknowledgements of receipt may not be transferred or pledged by the depositor. Delivery of items deposited is made against signed receipt.

§ 7 Joint depositors

A deposit may be established in the joint names of several depositors (joint deposit). In such event the right of disposal and handling of the items deposited shall be regulated by special agreement, failing which the depositors may only obtain access to and dispose of such items jointly.
The depositors are jointly and severally liable for any claims by the Bank with respect to joint deposits.

§ 8 Deposit fee

The deposit fee is computed on the basis of the tariff schedule currently in force and charged to the depositor at the end of December of each year.
The Bank reserves the right to alter the tariff at any time. Changes shall be brought to the attention of the depositor.

B. Special Regulations for Open Deposits

§ 9 Deposits in Switzerland

The items lodged with the Bank for safekeeping are held separately for each depositor, classified according to individual categories and kept separate from the Bank's own assets. Upon withdrawal, the depositor receives the deposited items. The Bank is authorized to entrust the items to the custody of third depositaries but for account of the client and at his risk.
The depositor expressly agrees that the Bank is entitled to place the items deposited, or any part thereof, in collective deposit (as defined under Art. 484 of the Swiss Federal Code of Obligations) either within the Bank itself, with correspondents or in a central deposit facility. However, the depositor shall enjoy a right of co-ownership in such collective deposit proportionate to the number of items deposited by him.
Redeemable securities may also be kept by specific category. Securities drawn by lot will be divided by the Bank amongst the depositors, with the method employed for the second drawing ensuring all depositors the same chance of consideration as under the first drawing procedure.

§ 10 Safekeeping deposits abroad

In the absence of other arrangements, items which are to be held abroad will be placed by the Bank in its own name, but for the account and at the risk of the depositor, with one of the Bank's correspondents for safekeeping and administration according to prevailing regulations and custom.

§ 11 Management

The Bank will from the date of deposit attend, without specific instructions from the depositor, to:

the collection or, where applicable, the best possible realization of
    dividends and interest due
the supervision of drawings, calls for redemption, conversions and
    amortizations of securities as well as the collection of securities called for redemption according to the lists at its disposal
    without assuming any responsibility therefor
procurement of new coupon sheets and the exchange of provisional
    notes for definitive certificates

Upon written instructions received in good time from the depositor, the Bank will further:

effect conversions
pay instalments on partly paid-up securities,
receive interest and capital repayments on mortgage debts
call mortgage debts for payment and effect collection of such
    payment
exercise subscription rights or effect their sale

If the Bank does not receive instructions to the contrary from the client before the day preceding the last official quotation of such subscription rights, it is entitled to sell the rights at best.

§ 12 Amounts collected

Amounts collected will be placed to the credit of a Swiss franc account in the name of the depositor, unless he has given other instructions in good time.

§ 13 Insurance in transit

Unless instructed to the contrary, the Bank shall arrange, at the client's expense, for insurance to cover the transport of valuables deposited where such insurance is customary and can be covered under its own policy with a Swiss insurance company.

§ 14 Coupons

The deposit fee includes compensation for detaching coupons and the expenses for collecting coupons and securities payable at any branch of the Bank. The Bank charges its own expenses only for procuring new coupon sheets and exchanging provisional securities.

§ 15 Portfolio management and wills

By special arrangement the Bank also undertakes portfolio management, distribution of inheritances and execution of wills as well as the safekeeping of wills, inheritance contracts etc.

C. Special Regulations for Sealed Deposits

§ 16 Tender

Sealed deposits must, as a rule, be provided with a declaration of their value. They must bear on their cover the exact name and address of the depositor and be sealed with wax or lead in such a manner as to make it impossible to open the cover without damaging the seal. They are to be handed in with a declaration on a special form bearing the signature and, if possible, the seal of the depositor.

§ 17 Contents

Sealed deposits may only contain valuables and documents but on no account objects which are inflammable or otherwise dangerous or unsuitable for deposit in bank premises. The depositor is liable for any damage resulting from failure to observe this requirement.
The Bank is entitled to ask the depositor for such proof as it considers necessary with respect to the nature of the objects deposited.

§ 18 Liability

The Bank's liability is limited to the declared value of the deposit.
Any damage must be proved by the depositor.
On withdrawal of the deposit the depositor must ensure that the wax or lead seal is in an undamaged condition. Any receipt signed by the depositor on withdrawal releases the Bank from all liability.

(see overleaf)

Nr 3 1.85 5C

The right to act individually or independently will continue in the event of death or incapacity to act on the part of one of the Depositors. Upon fulfilling its obligations towards any one of the Depositors, the Bank is legally released towards all of them.

Each Depositor may confer power of attorney upon any third person or persons who will then be entitled to act as agent or agents for all the Depositors.

Each Depositor, as joint debtor, is liable vis-à-vis the Bank, if the account shows a debit balance.

Provided no other instructions are given to the contrary, all remittances, securities or valuables received by the Bank in favour of one of the joint Depositors will be credited to the account(s) or, alternatively, placed into the safekeeping account referred to under ciphers 1 and 2.

In the event that the Depositors are husband and wife they authorize each other to dispose, individually and without any restrictions, of the cash funds in the account(s) and/or of the securities or other valuables lodged in safekeeping.

The wife, in particular, also approves all actions by her husband that exceed the ordinary administration of the matrimonial property.

5. Correspondence

All correspondence and statements pertaining to the account(s) and/or safekeeping account are
* to be mailed regularly to the following address:

COMPAGNIE DE SERVICES FIDUCIAIRES SA
P.O. Box 303 - 1211 GENEVA 12

~~* to be retained by the Bank on behalf of the Depositors and~~,
~~* upon special request mailed * quarterly * half yearly * yearly~~ to:

Correspondence shall be deemed to have been duly transmitted when mailed or retained by the Bank in accordance with the above instructions. The Depositors assume full liability for any consequences and possible damages that might occur due to the mailing or retaining of the correspondence in the prescribed manner.

The Bank is under no obligation whatsoever to take any action with regard to the administration of the Depositors' holdings unless specific instructions are given by the latter to this effect.

Correspondence not collected by the customer will be destroyed by the bank 3 years after its date of issue. An appropriate fee will be charged every year for retaining correspondence.

6. General Conditions and Regulations

Moreover, all mutual rights and obligations deriving from this Contract as well as all questions regarding jurisdiction and the applicable law are subject to the Bank's

- General Conditions
- Regulations for the Safekeeping of Securities and Other Valuables

which form part of the present agreement.

7. Special arrangements

Geneva, 14 March 1986

Place and date

CREDIT SUISSE

The Depositor(s)

UDALL RESEARCH CORPORATION

* Please delete where inapplicable

EXHIBIT 15

TO: R. V. Secord

FROM: Bob Dutton

DATE: June 4, 1986

SUBJECT: How to present the reorganization to ACE

Current Situation:

- ACE performance in getting capability up to an acceptable level has been unsatisfactory.
  - -- Aircraft that were purchased were not thoroughly or properly checked.
  - -- Major repairs in engines and avionics have taken excessive time, meaning A/C were not useable for training, basic missions or high tech work.
  - -- People that have been hired have been working with inadequate guidance or supervision.
- B. C. Washington has been paying a large % of past and current expenditures for Margin (G & A, Fringe) and O & M which, since we are already paying all of the operating and maintenance costs, amounts to an additional profit payment. The combinations of these payments have equalled 58.4% of a March ACE invoice and 57.6% of their April invoice.
- ACE states that the current arrangement is not making any money for their company for the effort expended.

Proposed Reorganization:

- ACE has put together a useful organization which we would like to retain to provide a means to contract both people

EXHIBIT

15

and air support plus a means to make payments. For this they should be paid a service fee.

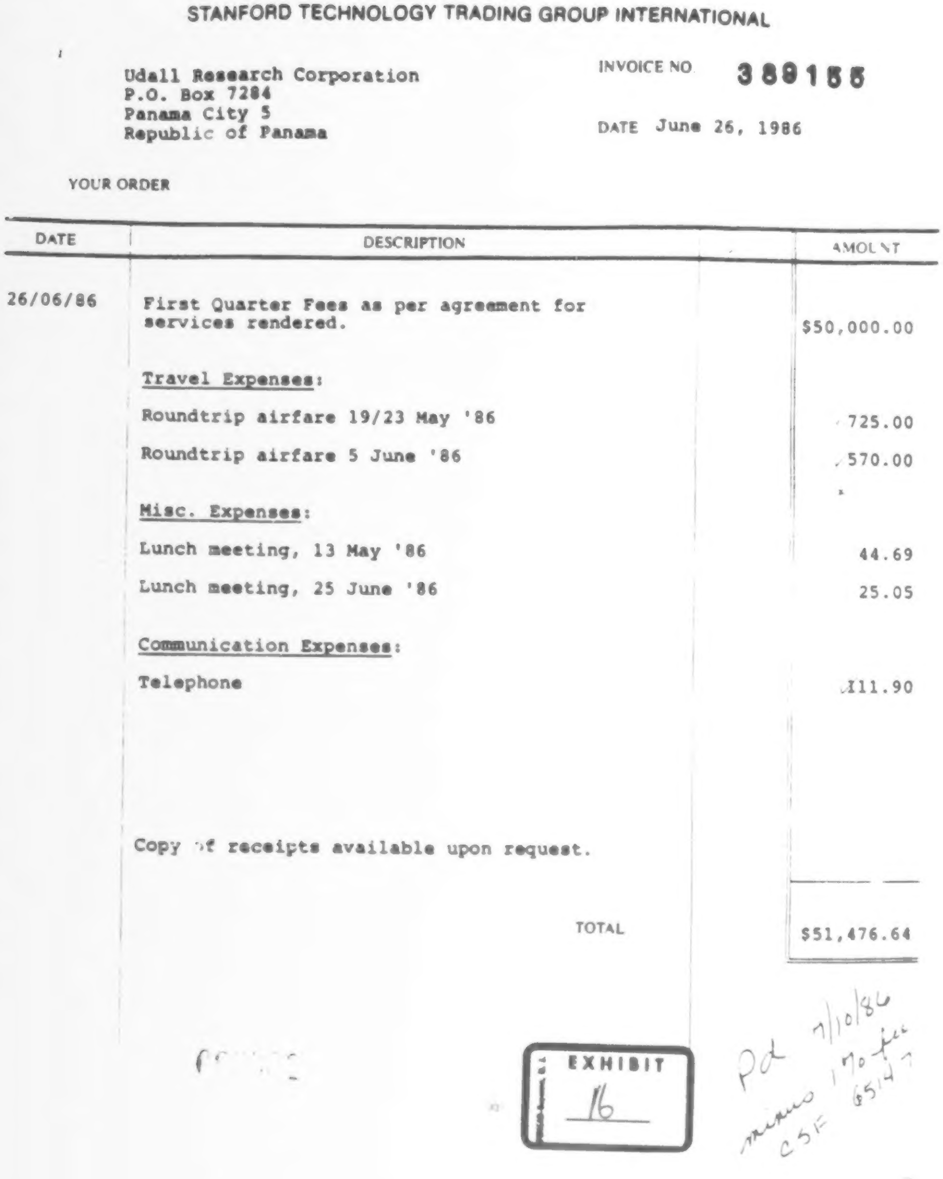
- B.C. Washington now has the capability to provide direct policy guidance and operational directives to the Project Hope personnel. This will give us the ability to hold one person totally responsible for the operational capability of the project.
- Some of the senior personnel at ACE have a great deal of background and experience in Project Hope type operations. It would benefit the entire program if these people were retained as professional consultants to B. C. Washington and paid on a scale to be determined by the corporate officers.

Benefits:

- We stop paying O & M, which is currently money tied up away from ACE personnel. This will reduce our cost anywhere from $50K to $100K per month.
- ACE will continue to be a part of the project and will get paid a service fee.
- The key ACE employees will start being paid consultant fees which is "available money".

Assumption: Throughout this proposal, I am assuming that ACE no longer intends to purchase the aircraft with the O & M money we currently pay them. If this is not a correct assumption, that fact should be formally acknowledged and we can continue the O & M payments vice a much reduced service fee, but we will get the money back when we sell them the aircraft. We can still take the key ACE personnel on as part-time consultants.

EXHIBIT 16



STANFORD TECHNOLOGY TRADING GROUP INTERNATIONAL

Udall Research Corporation
P.O. Box 7284
Panama City 5
Republic of Panama

INVOICE NO. **388155**

DATE June 26, 1986

YOUR ORDER

DATE	DESCRIPTION	AMOUNT
26/06/86	First Quarter Fees as per agreement for services rendered.	$50,000.00
	Travel Expenses:	
	Roundtrip airfare 19/23 May '86	725.00
	Roundtrip airfare 5 June '86	570.00
	Misc. Expenses:	
	Lunch meeting, 13 May '86	44.69
	Lunch meeting, 25 June '86	25.05
	Communication Expenses:	
	Telephone	111.90
	Copy of receipts available upon request.	
	TOTAL	$51,476.64

EXHIBIT
16

Pd 7/10/86
minus 170 fee
CSF 6514 7

June 27, 1986

Mr. Roland Farina
Compagnie De Services Fiduciares
3, Ter, Chemin Thury
Case Postale 303
1211 Geneve 12
Switzerland

Dear Mr. Farina:

Enclosed is our first quarter invoice for Udall. Would you please proceed to collect on our behalf.

Thank you for your help on this matter.

Best Regards,

Shirley Napier
Shirley Napier

SN/jc

Enclosure

STANFORD TECHNOLOGY TRADING GROUP INTERNATIONAL

1299 Del Mar Avenue
San Jose, California 95128
[illegible]

8615 Westwood Center Dr. Suite 202
Vienna, Virginia 22180
[illegible]

3 ter Chemin Thury
1211 Geneva 12 Switzerland
[illegible]

EXHIBIT 17

AMALGAMATED COMMERCIAL ENTERPRISES - SELLER

UDALL CORP. - BUYER

BILL OF SALE

FOR CONSIDERATION OF Five Hundred Thirty Thousand and no/100 Dollars ($530,000.00), Amalgamated Commercial Enterprises has bargained, sold conveyed and delivered unto Udall Corp (hereinafter called the "Buyer"), the following described property.

One DHC-4 Aircraft Serial No. 44, Registration No. C-GJLP equipped with two installed Pratt & Whitney R-2000-7M2 engines and two Hamilton Standard 43D50-7107A-0 propellers and all installed equipment, log books, manuals and spare parts.

To have and hold all and singularly the above-described property unto the Buyer, its successors and assigns to its own use and behalf forever.

Amalgamated Commercial Enterprises hereby warrants that it has good and sufficient legal and beneficial title to the above-described property and that such property is subject to no lease, mortgage, pledge, lien, charge or other encumbrance, and Amalgamated Commercial Enterprises will warrant and defend unto Buyer good title to same against the claims of all persons whatsoever.

IN WITNESS WHEREOF, Amalgamated Commercial Enterprises has caused this Bill of Sale to be executed this 11th day of April, 1986 in Rouyn, Quebec.

AMALGAMATED COMMERCIAL ENTERPRISES

Robert H Mason

Robert H. Mason, Senior Vice President

EXHIBIT

17

EXHIBIT 18

MINUTES OF SPECIAL MEETING OF
BOARD OF DIRECTORS OF
STANFORD TECHNOLOGY CORPORATION

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A Special Meeting of the Board of Directors of Stanford Technology Corporation was duly held on waiver of notice on June 4, 1985 at 10:30 a.m., at the Company's offices at 1515 South Van Ness Avenue, San Francisco, California.

Present were ALBERT HAKIM and SOONY HAKIM, constituting a quorum of the Board.

Also present was DAVID COCHRAN, Secretary.

MR. HAKIM announced that it would be necessary to elect a director to fill a vacancy on the Board.

After some discussion, RICHARD SECORD was duly elected a Director.

There being no further business to come before the Board, the meeting was duly adjourned.

DAVID COCHRAN
Secretary

EXHIBIT
18

Exhibit 19

[illegible]64 —

U.S. Department of Justice N 16254

United States Attorney
Eastern District of Virginia

701 Prince Street
Alexandria, Virginia 22314

[illegible]
[illegible]
TSG:jdf

May 28, 1982

Thomas C. Green, Esquire
Sharp, Randolph & Green
1800 Massachusetts Ave., N.W.
Washington, D.C. 20036

Re: Major General Richard Secord

Dear Mr. Green:

On May 20, 1982, I advised you that the Department of Justice would not administer a polygraph examination to General Secord because of the compulsion inherent in the Defense Department's decision to predicate General Secord's reinstatement on his taking the polygraph examination.

On May 21, 1982, the Defense Department ordered that General Secord be reinstated without further regard to the polygraph examination.

On May 24, 1982, I inquired whether General Secord intended to take the scheduled June 2nd polygraph examination under the conditions previously discussed. You advised me that you were then undecided as to whether General Secord would take the examination and requested twenty-four hours before I cancelled the exam. As of even date, I have not heard from you. By your silence I can only conclude that General Secord does not intend to take the Justice Department polygraph examination.

Very truly yours,

ELSIE L. MUNSELL
UNITED STATES ATTORNEY

By:

Theodore S. Greenberg
Assistant United States Attorney

EXHIBIT
19

Exhibit 20

N 100

000565

16 Feb. 84

Received from Richard V Secord, Cashier check for $ 33,000 [illegible] ~~34~~,000.00. Made out in name of Thomas G. Clines

Glenn A. Robinette
RV Secord

EXHIBIT
20

000167

EXHIBIT 21

AX 58A-222
TF:plw
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[illegible]

EATSCO-RELATED CONVICTIONS AND CIVIL SETTLEMENTS

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On July 22, 1983, at U.S. District Court (USDC), Eastern District of Virginia (EDVA), Alexandria, Virginia, HUSSEIN K.E.I. SALEM, individually and as president of the EGYPTIAN AMERICAN TRANSPORT AND SERVICES CORPORATION (EATSCO) pled guilty to a multiple count Criminal Information. The Information charged in pertinent part that SALEM and EATSCO agreed to and did file false statements with the U.S. Department of Defense (DOD), Defense Security Assistance Agency (DSAA), regarding the cost of shipping military goods to Egypt.

From in or about November, 1979, through on or about December 31, 1981, there were 34 shipments on which false invoices were submitted. Those invoices showed inflated costs of approximately $8 million.

Pursuant to a Plea Bargain Agreement reached between the United States and the defendants and approved by the court, the defendant SALEM was sentenced on both counts to pay a fine of $20,000; the defendant EATSCO was likewise sentenced to pay a fine of $20,000. Further, in settlement of all civil claims by the United States against the defendants SALEM paid the United States $3,020,000. The fines and civil settlement were satisfied by presentation of certified checks to the Clerk of the U.S.D.C. and to the U.S. Attorney's Office.

(The three count Criminal Information charged SALEM and EATSCO in count #1 with violation of Title 18, United States Code (USC), Section 371 (conspiracy); SALEM was charged in count #2 with violation of Title 18, United States Code, Section 1001 and 2 (submitting falsely stated vouchers); EATSCO was charged in count #3 with a violation of Title 18, U.S. Code, Section 1001 and 2 (submitting fasely stated vouchers).

On September 1, 1983, Air Freight International, Inc., (AFI) pled guilty in USDC, EDVA to a one count Criminal Information charging AFI with filing false invoices with the DOD, DSAA, relating to the costs of shipping military goods to Egypt under the Foreign Military Sales Program.

EXHIBIT
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AFI was fined the maximum penalty of $10,000 pursuant to a plea agreement between the United States and AFI. The agreement provided in pertinent part that AFI would pay the United States $924,000 in settlement of all civil claims; and pay $76,000 to the Federal Maritime Commission for possible violations of the Shipping Act of 1916.

The Criminal Information charged that from in or about November, 1979, through on or about December 31, 1981, AFI filed false invoices which failed to disclose profits made by AFI for the costs of ocean freight, packing and consolidation relating to the shipment of military goods to Egypt, in violation of Title 18, U.S. Code, Section 1001.

(AFI is a wholly owned subsidiary of the R.G. HOBELMANN AND COMPANY, INC., which was the designated freight forwarder for EATSCO regarding Foreign Military Sales equipment shipments to Egypt.)

Checks satisfying the $10,000 fine, $924,000 civil claims settlement and $76,000 payment to the Federal Maritime Commission were produced in connection with this plea being accepted by the judge on September 1, 1983.

On January 16, 1984, SYSTEMS SERVICE INTERNATIONAL, INC., (SSI) pled guilty in USDC, EDVA (Richmond, Virginia) to a one count Criminal Information charging SSI with filing false invoices with the DOD, DSAA, relating to the costs of shipping military goods to Egypt under the Foreign Military Sales Program.

SSI was fined the maximum penalty of $10,000 pursuant to a plea agreement between the United States and SSI. The agreement further provided that THOMAS CLINES, on behalf of SSI, would pay the United States $100,000 (within 30 days) in settlement of all civil claims.

The plea of guilty was entered by the President and sole stockholder of SSI, THOMAS G. CLINES. SSI, which is no longer in business, was a 49% owner of EATSCO.

The Criminal Information charged that from in or about November, 1979, through on or about December 31, 1981, SSI filed false invoices with DSAA, which invoices they then knew were false in that the invoices failed to disclose profits from the ocean freight, packing and consolidation costs of shipping military goods to Egypt and thereby misrepresented the actual costs of the ocean freight, packing and consolidation (violation of Title 18, U.S. Code, Section 1001 and 2).

A certified check in payment for the $10,000 fine was paid to the U.S. Government at the time the plea was accepted by the judge on January 16, 1984.

During February, 1984, three checks totalling $100,000 were paid by THOMAS G. CLINES to the U.S. Government in connection with settlement of all civil claims, in accordance with the plea agreement.

Exhibit 22

000569 4C 1706

OGC 83-08360
6 October 1983

MEMORANDUM FOR: Carl Darby
Office of Security

FROM: Michelle A. Martin
Office of General Counsel

SUBJECT: Richard Vernon Secord (Clearance Action on an Associate of Edwin Paul Wilson)

REFERENCE: Memorandum for General Counsel from Edwal Jones, same subject, dated 15 September 1983

1. You requested guidance on the propriety of considering General Richard Secord for an operational clearance in connection with a joint CIA/U.S. Army operational activity. In particular, you seek information on the current status of Department of Justice (DOJ) interest in Secord, e.g., indictment. (S)

2. I have been in contact with the DOJ on this matter and have been informed that General Secord has not been indicted, but their investigation of him is still open and active. Pending completion of this investigation, any clearance of General Secord for CIA employment activity would be inadvisable. (U)

3. If I can answer any other questions on this matter, I can be reached on x9482. (U)

Michelle A. Martin
Michelle A. Martin

OGC:MAM:sm
Distribution:
Original - Addressee
1 - OGC Chrono
1 - OGC Subject (Wilson)
1 - MAM Signer
1 - MAM Soft File

Executive Registry 33470

EXHIBIT
22

CJIN 1112

CL BY 2031703
DECL OADR
DERIVED FROM SEC 6-A2

EXHIBIT 23

000570
R D 000018

PATTON, BOGGS & BLOW
2550 M STREET, N. W.
WASHINGTON, D. C. 20037
(202) 457-6000

August 22, 1985

(202)457-6333

RECEIVED MAY 0 8 1986

Mr. Richard V. Secord
Suite 205
440 Maple Avenue East
Vienna, VA 22180

Dear Dick:

Enclosed is a memorandum which summarizes our research into questions raised under the Neutrality Act.

With best regards,

Sandy

Middleton A. Martin

EXHIBIT
23

ATTORNEY-CLIENT COMMUNICATIONS
PRIVILEGED AND CONFIDENTIAL

000571

August 21, 1985

MEMORANDUM

R D 000019

Re: Applicability of the Neutrality Act

This memorandum addresses the applicability of the prohibitions of the Neutrality Act, particularly 18 U.S.C. § 960, to actions undertaken in the United States in connection with the airlift of certain goods to insurgent forces in Nicaragua. The facts relating to this question are as follows:

Private individuals are considering arranging the initiation of negotiations between a non-U.S. company engaged in the business of providing contract airlift services (the "Company") and representatives of insurgent forces seeking the overthrow of the present government of Nicaragua. These arms-length negotiations would be intended to establish a commercial relationship whereby the Company would airdrop various supplies, including ammunition and other implements of war, into Nicaragua for use by the insurgents. All services would be provided outside the U.S. and be paid for with non-U.S. funds.

The Company would not transport insurgent personnel for military or any other purpose, nor would the Company otherwise participate beyond provision of airlift services in insurgent activities. Similarly, although the U.S.-based individuals arranging for the initiation of these negotiations are fully aware that the airlift services would be in support of the insurgents, such individuals would not participate in the provision of such services nor otherwise combine with the insurgents to further the insurgents' military objectives.

Analysis

The statute most directly relevant to the scenario set forth above is 18 U.S.C. § 960, which provides:

> Whoever, within the United States, knowingly begins or sets on foot or provides or prepares a means for or furnishes the money for, or takes part in, any military or naval expedition or enterprise to be carried on from thence against the territory or dominion of any foreign prince or state, or of any colony, district, or people with whom the United States is at peace, shall be fined not more than $3,000 or imprisoned not more than 3 years, or both.[1/]

This provision grows out of a statute originally passed in 1794 as part of the early U.S. government's attempts to avoid foreign entanglements stemming from the use of the United States as a staging ground for private military actions against otherwise friendly governments. The basic elements of a violation of this statute are:

1. The actions (or planning for the actions) must take place, at least in part, in the United States;
2. The actions must constitute "knowing" provision of assistance;
3. The actions must be in support of or constitute participation in a military expedition; and

---

1/ Also arguably relevant to these facts is 18 U.S.C. § 956, which prohibits any conspiracy "to injure or destroy specific property situated within a foreign country and belonging to a foreign government or within the political subdivision thereof with which the United States is at peace." Exposure under this provision is considerably more attenuated under the proposed airlift contract, however, because of the requirement for injury or destruction of specific property.

4. The military expedition must be against the government of a nation with which the United States is at peace.

As these elements relate to the proposed Nicaraguan airlift, three of the four elements of a violation would be met. Preliminary arrangements for the airlift would occur in the United States, with knowledge of the use which would be made of the airdropped supplies, and the airlift would constitute assistance to insurgents acting against the government of Nicaragua, a government with which the United States is presently at peace.

The propriety of the proposed arrangement therefore will turn on whether or not the airlift itself constitutes a "military expedition or enterprise," as that term has been defined in the case law relating to the statute. Most of the cases dealing with 18 U.S.C. § 960 (or its predecessors) reflect prosecutions undertaken in the 19th century. The leading case is Wiborg v. United States, 163 U.S. 632 (1896), in which the U.S. Supreme Court reviewed a conviction under the Neutrality Act for the assistance provided by a ship captain in transporting a group of armed men who mounted a military expedition against the Spanish government in Cuba. In finding that the transport of men and arms for landing in Cuba was participation in a military expedition, the Supreme Court expressly acknowledged that the mere transport of arms to another country is not, in itself, an actionable offense under the Neutrality Act. Rather, it is a commercial transaction subject to the risk of capture as contraband of war by the foreign power against which such arms were to be used. Because the men and arms aboard the defendant's vessel were clearly undertaking a military expedition against the Spanish government in Cuba of which the defendant had knowledge, and the arrangements for the transport were made within the United States, the ship captain was found to have been guilty of a Neutrality Act violation by providing the transportation.

A similar analysis can be seen in the case of United States v. Nunez, 82 F.599 (S.D.N.Y. 1896), in which the court considered the propriety of the transportation of men and arms in connection with an expedition against Cuba. In analyzing what constitutes a military enterprise, the court cited the Supreme Court's definition in Wiborg that a military expedition is "a journey or voyage by a company or body of persons, having the position or characteristics of soldiers, for a specific warlike purpose." The court in Nunez identified the "essential features" of a military enterprise as: "concert of action, unity of action by a body organized and acting together, acting by means of weapons of some kind, and action under command leadership." The court reiterated that:

> There is nothing in this statute which prohibits a commercial enterprise. The transportation of goods in a commercial way, whether it be contraband of war or not, is not prohibited by the fact that other nations are at war, or that a colony is in a state of insurrection against the parent country. . . .

Because, in the Nunez case, the men and arms were clearly acting for military purpose, the arms removed from boxes aboard ship and the men drilled on deck during the transport, those providing the transportation were guilty of violation of the Neutrality Act.

Conclusion

While these cases are very old, the Supreme Court's interpretation in Wiborg of what constitutes a "military enterprise" for purposes of a violation of the Neutrality Act has not been modified or overturned by court action since that time. Wiborg and the cases which follow it establish that a "military enterprise" contemplated by the statute must be comprised of men and arms with a military purpose and that mere transportation of arms to insurgent forces, without more, does not constitute a "military enterprise" or preparing the means for a "military enterprise." Applying the Supreme Court's interpretation of the Neutrality Act to the proposed Nicaraguan operation, the provision of contract airlift services as described above would not be conduct proscribed by the Neutrality Act. As long as the airlift operations transport only supplies (whether or not including implements of war), but not men, and as long as the persons engaged in arranging or providing the airlift services do not also engage in broader planning or action in concert with others to combine these supplies with insurgents on the ground for military purposes, those providing the transportation of supplies have not begun, or provided the means for any military expedition within the meaning of the statute. A federal prosecutor acting in the mid-1980s could always take a more expansive view of the type of conduct proscribed by the statute, but he would have to overcome the weight of judicial authority or find other facts which tended to support the existence of a "military enterprise."

One final note: the Neutrality Act has been neglected by prosecutors since the First World War. However, in the last few years, efforts by those opposing U.S. actions in support of the insurgency in Nicaragua have attempted to compel enforcement by the Justice Department of the Neutrality Act by resort to the Ethics in Government Act under which the Attorney General is required to conduct an investigation upon receipt of information that a government official has violated the law. This was the issue in the 1984 case of Dellums v. Smith, 577 F. Supp. 1449 (N.D. Cal. 1984). In that case, the court held that a preliminary investigation was required upon presentation to the Attorney General of evidence of federal criminal actions by federal officials. The court expressly rejected the Department of Justice's attempts to raise prosecutorial discretion as a bar to such suits. "Public interest" actions to compel Justice Department investigation of such activity therefore remain a possibility.

EXHIBIT 24

X011

For File

F Investments Ltd

60645106X

CR F 0079

[illegible]

EXHIBIT

24

REPUBLIC NATIONAL BANK OF NEW [redacted]

INTERNATIONAL PRIVATE BANKING GROUP

TELEPHONIC PAYMENT ORDER

[redacted] FASTRMAC

TO: [redacted] NAL PAYING AND RECEIVING ☑
ACCOUNTS DEPT. ☐

DATE: 10/1/85

FROM: INTERNATIONAL PRIVATE BANKING GROUP
ACCOUNT OFFICER Nan Morabia

TIME: 12:15 PM

CR F 0080

AS PER TODAY'S TELEPHONE INSTRUCTION OF MR./~~MS~~ Bill Zucker
PLEASE MAKE THE FOLLOWING PAYMENT:
(FEDERAL FUNDS/STREET FUNDS)

BY THE DEBIT OF: CSP Investments Ltd, #606451[redacted]

AMOUNT: $52,500.00(FIFTY-TWO THOUSAND FIVE [redacted]

[✓ ISSUE CHECK TO:] RICHARD V. SECOURD Stagford [redacted] Int'l
Suite 202, [redacted]
Vienna Va, [redacted]

TRANSFER TO:

FOR ACCOUNT OF:

BY ORDER OF: Client

VALUE DATE: 10/1/85

OK TO O/D

O/D REASON

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

CUSTOMER CONFIRMATION

AUTHORIZED FOR FILING

ACCOUNT NO. 606451064 CRF INVESTMENT

CUSTOMER CONFIRMATION FOLLOW-UP BY: OFFICER ☒
HOLD MAIL ☐

Check to be remitted to N M

Signed 10/3/85

INSTRUCTION COPY - WHITE DEPT FILE - PINK OFFICER FOLLOW UP - GOLDENROD

[redacted]UBLIC NATIONAL BANK OF NEW [redacted]
INTERNATIONAL PRIVATE BANKING GROUP
TELEPHONIC PAYMENT ORDER

[redacted] PASTRAMI

TO: [redacted]NAL PAYING AND RECEIVING ☑
FOREIGN ACCOUNTS DEPT ☑

DATE: 9/6/85

FROM: INTERNATIONAL PRIVATE BANKING GROUP
ACCOUNT OFFICER NAN MORABIA

TIME: 12:30PM

CR F 0081

AS PER TODAY'S TELEPHONE INSTRUCTION OF MR. [redacted] BILL [redacted]
PLEASE MAKE THE FOLLOWING PAYMENT:
(FEDERAL FUNDS/STREET FUNDS)

BY THE DEBIT OF: A/C#606451684 - CSF. [redacted] & LTD.

AMOUNT: $29,578.64 (twenty nine thous[redacted] dollars
and sixty [redacted]

ISSUE CHECK TO: A.F. GREEN AND CO. [redacted]

TRANSFER TO:

FOR ACCOUNT OF:

BY ORDER OF: CLIENT

VALUE DATE: 9/6/85

OK TO O/D ______ O/D REASON ______

PLEASE SEND CHECK TO N. MORABIA

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

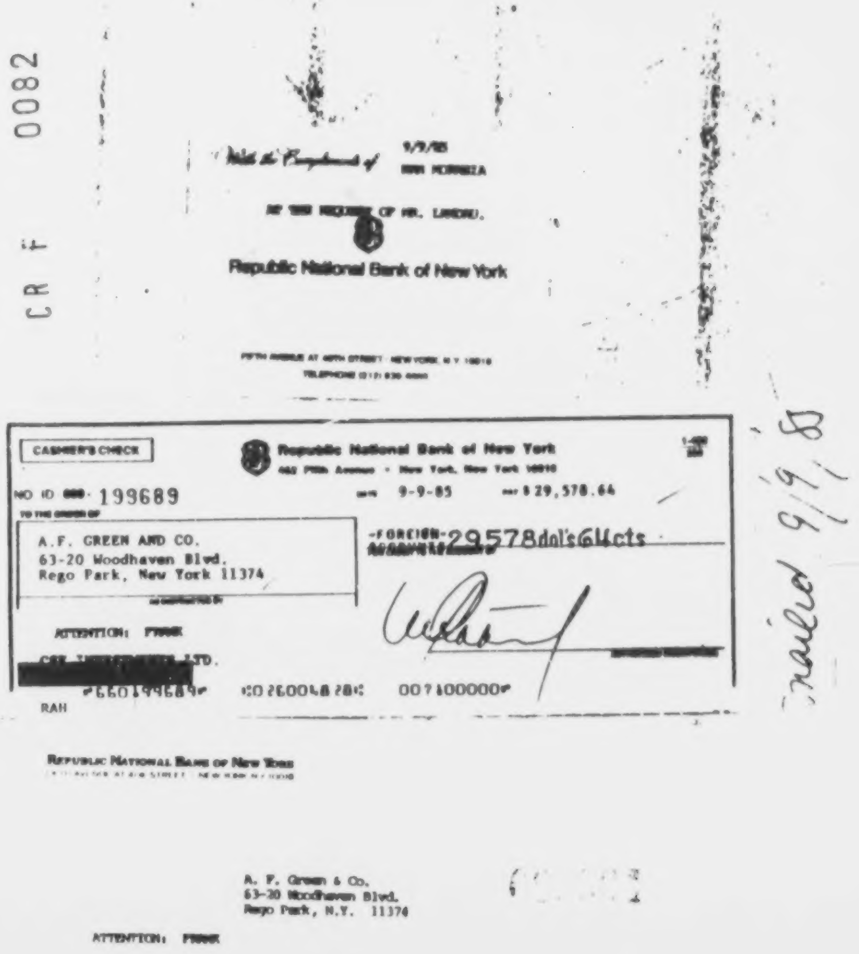
CUSTOMER CONFIRMATION

signed 10/30/85

CUSTOMER CONFIRMATION FOLLOW-UP BY: OFFICER ☑
HOLD MAIL ☐

INSTRUCTION COPY - WHITE DEPT FILE - PINK OFFICER FOLLOW UP - GOLDENROD

IPBG 3468



CR F 0082

With the Compliments of 9/9/85
[illegible] FORMIZA

AT THE REQUEST OF MR. LANDAU.

Republic National Bank of New York

FIFTH AVENUE AT 40TH STREET · NEW YORK, N.Y. 10018
TELEPHONE (212) 930 6000

CASHIER'S CHECK

Republic National Bank of New York
452 Fifth Avenue · New York, New York 10018

NO ID · 199689

DATE 9-9-85 PAY $29,578.64

TO THE ORDER OF

A.F. GREEN AND CO.
63-20 Woodhaven Blvd.
Rego Park, New York 11374

-FOREIGN- 29578 dol's 64 cts

ATTENTION: FRANK

[redacted] LTD.

⑈660199689⑈ ⑆026004828⑆ 007100000⑈

RAH

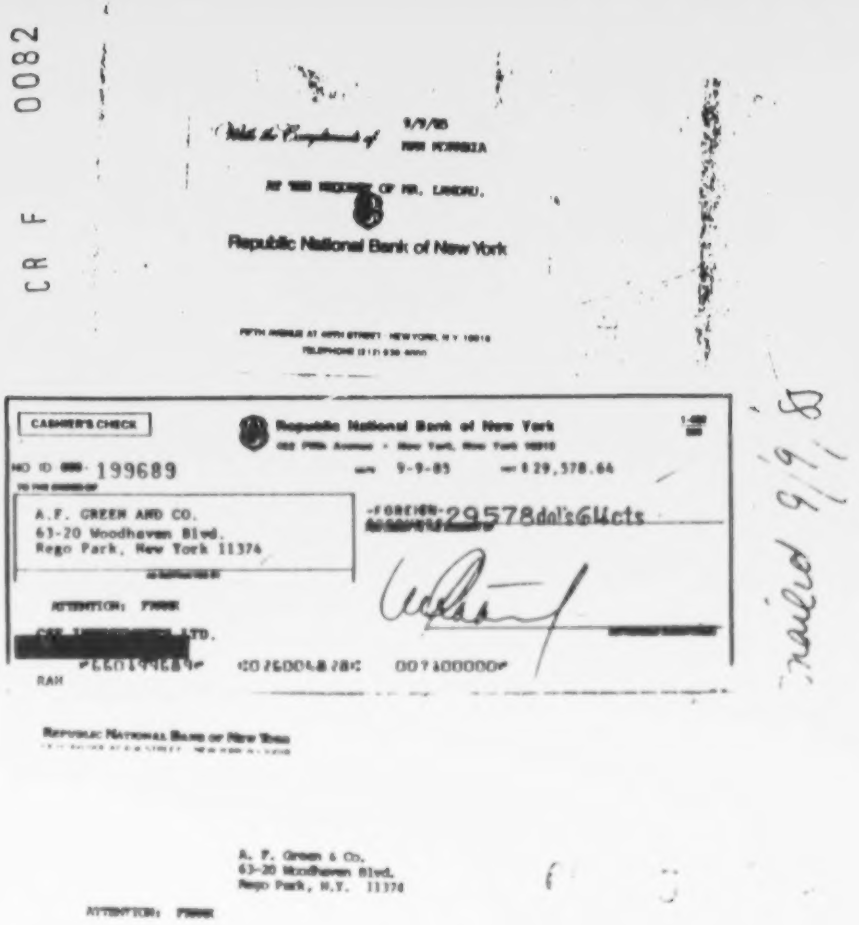
mailed 9/9/85

REPUBLIC NATIONAL BANK OF NEW YORK

A. F. Green & Co.
63-20 Woodhaven Blvd.
Rego Park, N.Y. 11374

ATTENTION: FRANK

CR F 0082



With the Compliments of 9/9/85

[illegible]

AT THE REQUEST OF MR. LANDAU.

Republic National Bank of New York

FIFTH AVENUE AT 40TH STREET · NEW YORK, N.Y. 10018
TELEPHONE (212) 930-6000

CASHIER'S CHECK

Republic National Bank of New York
452 Fifth Avenue · New York, New York 10018

NO ID 199689

DATE 9-9-85 $29,578.64

TO THE ORDER OF

A.F. GREEN AND CO.
63-20 Woodhaven Blvd.
Rego Park, New York 11374

ATTENTION: FRANK

[redacted] LTD.

-FOREIGN-29578dol's64cts

660199689 026004828 007100000

RAH

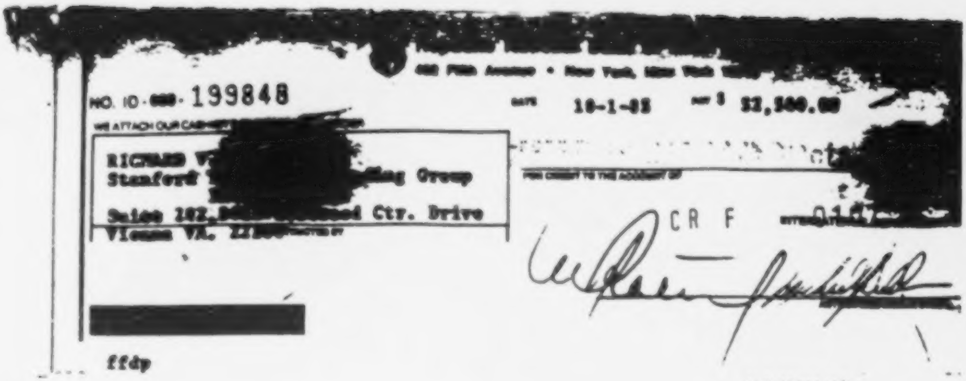
mailed 9/9/85

REPUBLIC NATIONAL BANK OF NEW YORK

A. F. Green & Co.
63-20 Woodhaven Blvd.
Rego Park, N.Y. 11374

ATTENTION: FRANK

EXHIBIT 25



Fifth Avenue • New York, New York

NO. 10-000-199848

DATE 10-1-03 PAY $ 32,500.00

WE ATTACH OUR CASHIER'S

RICHARD V [redacted]
Stanford [redacted]ding Group

Suite 102, [redacted]ood Ctr. Drive
Vienna VA. 22

FOR CREDIT TO THE ACCOUNT OF [redacted]

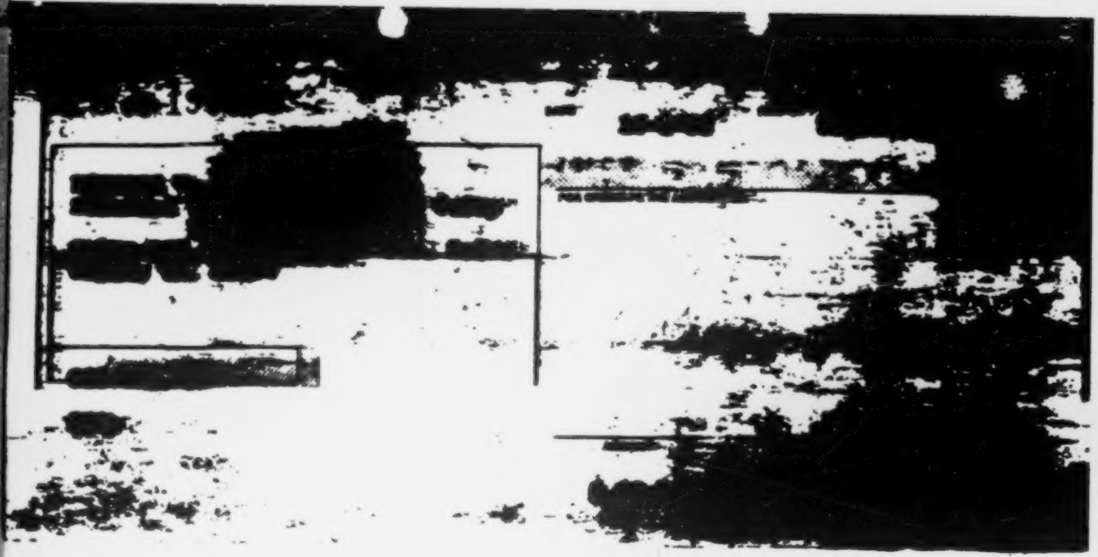
CR F 01

[redacted]

ffdp

000582

EXHIBIT
25



[illegible]

Ref: 000-[redacted]

TOTAL: $ [illegible]

MAIL TO

[illegible] INVESTMENTS LTD.

[illegible]

CR F 0109

000584

REPUBLIC NATIONAL BANK OF NEW YORK

INTERNATIONAL PRIVATE BANKING GROUP

TELEPHONIC PAYMENT ORDER

000585

T[redacted]RA PASTRMAC

CR F 0110

TO: [redacted]TIONAL PAYING AND RECEIVING ☑
FOREIGN ACCOUNTS DEPT. ☐

DATE: 10/1/85

FROM: INTERNATIONAL PRIVATE BANKING GROUP
ACCOUNT OFFICER Nan Morabia

TIME: 12:15 PM

AS PER TODAY'S TELEPHONE INSTRUCTION OF MR./~~MS~~ Bill Zucker
PLEASE MAKE THE FOLLOWING PAYMENT:
(FEDERAL FUNDS/STREET FUNDS)

BY THE DEBIT OF: CSF Investments Ltd. #606451064

AMOUNT: $52,500.00(FIFTY-TWO THOUSAND FIVE HUNDRED DOLLARD ONLY)

ISSUE CHECK TO: RICHARD V. SECOURD Stafford Technology Trading Group Int
Suite 202, 8615 Westwood Center Drive
Vienna Va. 22180

TRANSFER TO:

FOR ACCOUNT OF:

BY ORDER OF: Client

VALUE DATE: 10/1/85

OK TO O/D ______ O/D REASON ______

AUTHORIZED SIGNATURE

AUTHORIZED SIGNATURE

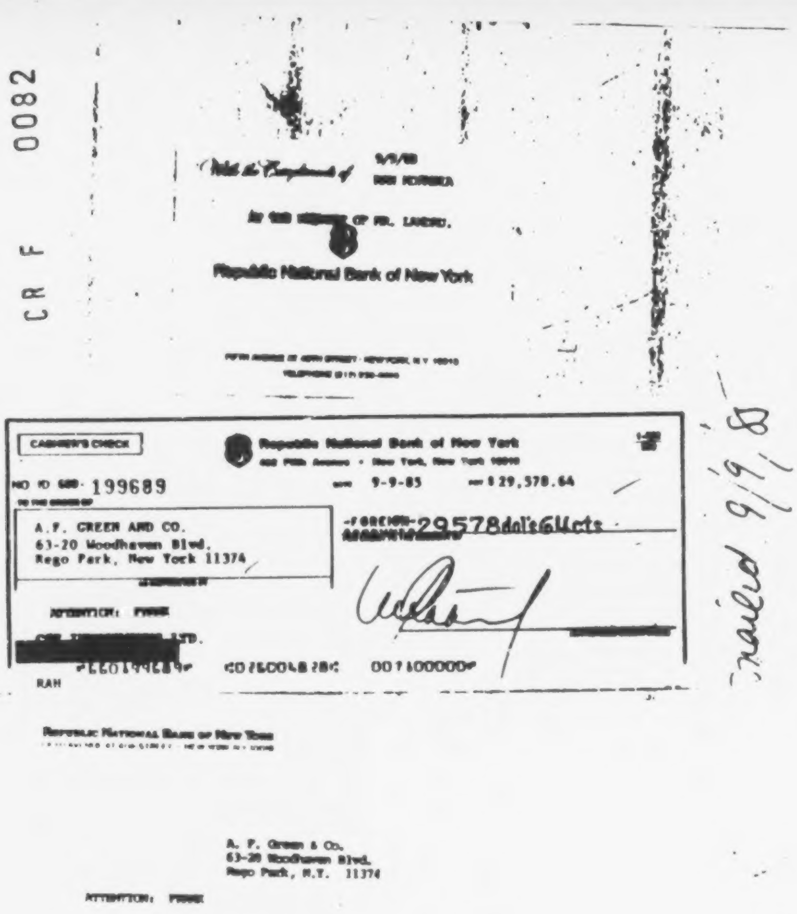
CUSTOMER CONFIRMATION

CUSTOMER CONFIRMATION FOLLOW-UP BY: OFFICER ☒
HOLD MAIL ☐

FOREIGN ACCOUNTS DEPARTMENT
OCT 0 1 1985 to
PAYING AND RECEIVING SECTION

INSTRUCTION COPY - WHITE DEPT FILE - PINK OFFICER FOLLOW UP - GOLDEN ROD

IPBG 3460R



CR F 0082

With the Compliments of 9/9/85
[illegible]

In [illegible] OF MR. [illegible].

Republic National Bank of New York

FIFTH AVENUE AT 40TH STREET · NEW YORK, N.Y. 10018
TELEPHONE (212) 930-[illegible]

CASHIER'S CHECK

Republic National Bank of New York
452 Fifth Avenue · New York, New York 10018

NO ID 600- 199689 DATE 9-9-85 AMT $29,578.64

TO THE ORDER OF

A.F. GREEN AND CO.
63-20 Woodhaven Blvd.
Rego Park, New York 11374

-FOREIGN- 29578dol's64cts

ATTENTION: FRANK

[redacted] LTD.

⑈660199689⑈ ⑆026004828⑆ 001000000⑈

RAH

[redacted]

Mailed 9/9/85

REPUBLIC NATIONAL BANK OF NEW YORK
[illegible]

A. F. Green & Co.
63-20 Woodhaven Blvd.
Rego Park, N.Y. 11374

ATTENTION: FRANK

EXHIBIT 26

DANIEL K. INOUYE, HAWAII, CHAIRMAN
WARREN RUDMAN, NEW HAMPSHIRE, VICE CHAIRMAN

GEORGE J. MITCHELL, MAINE
SAM NUNN, GEORGIA
PAUL S. SARBANES, MARYLAND
HOWELL T. HEFLIN, ALABAMA
DAVID L. BOREN, OKLAHOMA

JAMES A. McCLURE, IDAHO
ORRIN G. HATCH, UTAH
WILLIAM S. COHEN, MAINE
PAUL S. TRIBLE, JR., VIRGINIA

United States Senate
SELECT COMMITTEE ON SECRET MILITARY
ASSISTANCE TO IRAN AND THE NICARAGUAN OPPOSITION
WASHINGTON, DC 20510

[illegible]

February 10, 1987

Thomas Green, Esq.
Sharp Green & Lankford
1800 Massachusetts Avenue, N.W.
Suite 501
Washington, D.C.

Dear Tom:

As discussed, the cite is U.S. v. Ghidoni, 732 F.2d 814 (11th Cir. 1984). I am also enclosing a form of consent directive pursuant to Ghidoni which we wish your client to execute. As I have told you, an executed Ghidoni consent from your client is a necessary precondition to further consideration of your client's status.

Please let me know this week if it will be necessary to compel execution of the consent by subpoena.

Sincerely,

Arthur L. Liman

ALL/km
Enclosures

EXHIBIT
26

72-957 0-44 (dylux 1991 fols)

EXHIBIT 27

MARITIME APPROPRIATION AUTHORIZATION ACT FOR FISCAL YEAR 1985

Mr. BIAGGI. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the Senate bill (S. 2499), to authorize the appropriation of funds for certain maritime programs for fiscal year 1985, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

Mr. SNYDER. Reserving the right to object, Mr. Speaker, let me just say that this is the identical bill that we passed on the Marad authorization. The Senate added the authorization for FMC in the exact amount suggested by the administration.

We have no objection.

Mr. Speaker, I withdraw my reservation of objection.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read the Senate bill, as follows:

S. 2499

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Maritime Appropriation Authorization Act for Fiscal Year 1985".

Sec. 2. Funds are authorized to be appropriated without fiscal year limitation as the appropriation Act may provide for the use of the Department of Transportation for fiscal year 1985 as follow:

(1) for payment of obligations incurred for operating-differential subsidy, not to exceed $377,750,000;

(2) for expenses necessary for research and development activities, not to exceed $10,000,000; and

(3) for expenses necessary for operations and training activities, not to exceed $80,807,000, including not to exceed—

(A) $42,550,000 for maritime education and training expenses, including not to exceed $21,940,000 for maritime training at the Merchant Marine Academy at Kings Point, New York, $16,200,000 for financial assistance to State maritime academies (of which $5,000,000 shall be for the conversion of the vessel *Santa Mercedes* for use as a suitable training vessel), $3,000,000 for fuel oil assistance to State maritime academy training vessels, and $1,410,000 for expenses necessary for additional training;

(B) $9,111,000 for national security support capabilities, including not to exceed $7,506,000 for reserve fleet expenses, and $1,605,000 for emergency planning/operations; and

(C) $29,146,000 for other operations and training expenses.

Sec. 3. Funds are authorized to be appropriated for the use of the Federal Maritime Commission, in the amount of $12,292,000 for fiscal year 1985.

The Senate bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. BIAGGI. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on S. 2499, the Senate bill just passed.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from New York?

There was no objection.

INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 1985

Mr. BOLAND. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (H.R. 5399) to authorize appropriations for fiscal year 1985 for intelligence and intelligence-related activities of the U.S. Government, the Intelligence Community Staff, and the Central Intelligence Agency Retirement and Disability System, and for other purposes, with a Senate amendment thereto, and concur in the Senate amendment.

The Clerk read the title of the bill.

The Clerk read the Senate amendment, as follows:

Strike out all after the enacting clause and insert:

That this Act may be cited as the "Intelligence Authorization Act for fiscal year 1985".

TITLE I—INTELLIGENCE ACTIVITIES

AUTHORIZATION OF APPROPRIATIONS

Sec. 101. Funds are hereby authorized to be appropriated for fiscal year 1985 for the conduct of the intelligence and intelligence-related activities of the following elements of the United States Government:

(1) The Central Intelligence Agency.

(2) The Department of Defense.

(3) The Defense Intelligence Agency.

(4) The National Security Agency.

(5) The Department of the Army, the Department of the Navy, and the Department of the Air Force.

(6) The Department of State.

(7) The Department of the Treasury.

(8) The Department of Energy.

(9) The Federal Bureau of Investigation.

(10) The Drug Enforcement Administration.

CLASSIFIED SCHEDULE OF AUTHORIZATIONS

Sec. 102. The amounts authorized to be appropriated under section 101, and the authorized personnel ceilings as of September 30, 1985, for the conduct of the intelligence and intelligence-related activities of the elements listed in such section, are those specified in the classified Schedule of Authorizations prepared by the Select Committee on Intelligence of the Senate, as amended by agreement of the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate. That Amended Schedule of Authorizations, dated October 4, 1984, signed by the Chairman and Vice Chairman of the Select Committee on Intelligence of the Senate and the Chairman and Ranking Minority Member of the Permanent Select Committee on Intelligence of the House of Representatives, and on file at the offices of those committees, shall be made available to the Committees on Appropriations of the Senate and the House of Representatives, and to the President. The President shall provide for suitable distribution of the amended schedule, or of appropriate portions of the amended schedule, within the executive branch.

CONGRESSIONAL NOTIFICATION OF EXPENDITURES IN EXCESS OF PROGRAM AUTHORIZATIONS

Sec. 103. During fiscal year 1985, funds may not be made available for any intelligence or intelligence-related activity unless such funds have been specifically authorized for such activity, or, in the case of funds appropriated for a different activity, unless the Director of Central Intelligence or the Secretary of Defense has notified the appropriate committees of Congress of the intent to make such funds available for such activity, except that, in no case may reprogramming or transfer authority be used by the Director of Central Intelligency or the Secretary of Defense unless for higher priority intelligence or intelligence-related activities, based on unforeseen requirements, than those for which funds were originally authorized, and in nor case where the intelligence or intelligence-related activity for which funds were requested has been denied by Congress.

AUTHORIZATION OF APPROPRIATIONS FOR DESIGN AND CONSTRUCTION OF AN ADDITIONAL BUILDING AT THE CENTRAL INTELLIGENCE AGENCY HEADQUARTERS COMPOUND

Sec. 104. Of the amounts authorized to be appropriated under section 101(1), there is authorized to be appropriated for fiscal year 1985 the sum of $104,500,000 for the design and construction of a new building at the Central Intelligence Agency headquarters compound.

AUTHORIZATION OF APPROPRIATIONS FOR COUNTERTERRORISM ACTIVITIES OF THE FEDERAL BUREAU OF INVESTIGATION

Sec. 105. In addition to the amounts authorized to be appropriated under section 101(9), there is authorized to be appropriated for fiscal year 1985 the sum of $14,500,000 for the conduct of the activities of the Federal Bureau of Investigation to counter terrorism in the United States.

PERSONNEL CEILING ADJUSTMENTS

Sec. 106. The Director of Central Intelligence may authorize employment of civilian personnel in excess of the numbers authorized for the fiscal year 1985 under sections 102 and 202 of this Act when he determines that such action is necessary to the performance of important intelligence functions, except that such number may not, for any element of the Intelligence Community, exceed 2 per centum of the number of civilian personnel authorized under such sections for such element. The Director of Central Intelligence shall promptly notify the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate whenever he exercises the authority granted by this section.

TITLE II—INTELLIGENCE COMMUNITY STAFF

AUTHORIZATION OF APPROPRIATIONS

Sec. 201. There is authorized to be appropriated for the Intelligence Community Staff for fiscal year 1985 the sum of $20,800,000.

AUTHORIZATION OF PERSONNEL AND STRENGTH

Sec. 202. (a) The Intelligence Community Staff is authorized two hundred and thirty-two full time personnel as of September 30, 1985. Such personnel of the Intelligence Community Staff may be permanent employees of the Intelligence Community Staff or personnel detailed from other elements of the United States Government.

(b) During fiscal year 1985, personnel of the Intelligence Community Staff shall be selected so as to provide appropriate representation from elements of the United

States Government engaged in intelligence and intelligence-related activities.

(c) During Fiscal Year 1985, any officer or employee of the United States or a member of the Armed Forces who is detailed to the Intelligence Community Staff from another element of the United States Government shall be detailed on a reimbursable basis, except that any such officer, employee, or member may be detailed on a nonreimbursable basis for a period of less than one year for the performance of temporary functions as required by the Director of Central Intelligence.

INTELLIGENCE COMMUNITY STAFF ADMINISTERED IN SAME MANNER AS CENTRAL INTELLIGENCE

SEC. 203. During Fiscal Year 1985, activities and personnel of the Intelligence Community Staff shall be subject to the provisions of the National Security Act of 1947 (50 U.S.C. 401 et seq.) and the Central Intelligence Agency Act of 1949 (50 U.S.C. 403a-403n) in the same manner as activities and personnel of the Central Intelligence Agency.

TITLE III—CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM

AUTHORIZATION OF APPROPRIATIONS

SEC. 301. There is authorized to be appropriated for the Central Intelligence Agency retirement and Disability Fund for Fiscal Year 1985 the sum of $99,300,000.

CENTRAL INTELLIGENCE AGENCY RETIREMENT AND DISABILITY SYSTEM RULES AND REGULATIONS

SEC. 302. Section 201(a) of the Central Intelligence Agency Retirement Act of 1964 for Certain Employees (50 U.S.C. 403 note) is amended by striking "to become effective after approval by the chairman and ranking minority members of the Armed Services Committees of the House and Senate." and inserting in lieu thereof "to be submitted to the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate before they take effect.".

TITLE IV—ADMINISTRATIVE PROVISION RELATING TO THE CENTRAL INTELLIGENCE AGENCY

PHYSICAL SECURITY OF CENTRAL INTELLIGENCE AGENCY FACILITIES

SEC. 401. The Central Intelligence Agency Act of 1949 (50 U.S.C. 403a et seq.) is amended by adding at the end thereof the following new section:

SECURITY PERSONNEL AT AGENCY INSTALLATIONS

"SEC. 15. (a) The Director may authorize Agency personnel within the United States to perform the same functions as special policemen of the General Services Administration perform under the first section of the Act entitled 'An Act to authorize the Federal Works Administrator or officials of the Federal Works Agency duly authorized by him to appoint special policemen for duty upon Federal property under the jurisdiction of the Federal Works Agency, and for other purposes' (40 U.S.C. 318), with the powers set forth in that section, except that such personnel shall perform such functions and exercise such powers only within Agency installations, and the rules and regulations enforced by such personnel shall be rules and regulations promulgated by the Director.

"(b) The Director is authorized to establish penalties for violations of the rules or regulations promulgated by the Director under subsection (a) of this section. Such penalties shall not exceed those specified in the fourth section of the Act referred to in subsection (a) of this section (40 U.S.C. 318c).

"(c) Agency personnel designated by the Director under subsection (a) of this section shall be clearly identifiable as United States Government security personnel while engaged in the performance of the functions to which subsection (a) of this section refers.".

TITLE V—DEFENSE INTELLIGENCE AGENCY PERSONNEL MANAGEMENT IMPROVEMENTS

CIVILIAN PERSONNEL MANAGEMENT

SEC. 501. (a) Chapter 83 of title 10, United States Code, is amended by adding at the end thereof the following new section:

"§ 1604. Civilian personnel management

"(a) The Secretary of Defense may, without regard to the provisions of any other law relating to the number, classification, or compensation of employees—

"(1) establish such positions for civilian officers and employees in the Defense Intelligence Agency as may be necessary to carry out the functions of such Agency;

"(2) appoint individuals to such positions; and

"(3) fix the compensation of such individuals for service in such positions.

"(b) The Secretary of Defense shall, subject to subsection (c), fix the rates of basic pay for positions established under subsection (a) in relation to the rates of basic pay provided in the General Schedule under section 5332 of title 5 for positions subject to such Schedule which have corresponding levels of duties and responsibilities. Except in the case of an officer or employee of the Defense Intelligence Agency serving as a member of the Defense Intelligence Senior Executive Service, no officer or employee of the Defense Intelligence Agency may be paid basic compensation at a rate in excess of the highest rate of basic pay contained in such General Schedule.

"(c) The Secretary of Defense is authorized, consistent with section 5341 of title 5, to adopt such provisions of such title as provided for prevailing rate systems of basic pay and to apply such provisions to positions in or under which the Defense Intelligence Agency may employ individuals described by section 5342(a)(2)(A) of such title.

"(d) In addition to the basic compensation payable under subsection (b), officers and employees of the Defense Intelligence Agency who are citizens or nationals of the United States and who are stationed outside the continental United States or in Alaska may be paid compensation, in accordance with regulations prescribed by the Secretary of Defense, not in excess of an allowance authorized to be paid by section 5941(a) of title 5 for employees whose rates of basic pay are fixed by statute. Such allowances shall be based on—

"(1) living costs substantially higher than in the District of Columbia;

"(2) conditions of environment which differ substantially from conditions of environment in the continental United States and warrant an allowance as a recruitment incentive; or

"(3) both of the factors described in paragraphs (1) and (2).

"(e)(1) Nothwithstanding any other provision of law, the Secretary of Defense may, during fiscal years 1985 and 1986, terminate the employment of any civilian officer or employee of the Defense Intelligence Agency whenever he considers that action to be in the interests of the United States and he determines that the procedures prescribed in other provisions of law that authorize the termination of the employment of such officer or employee cannot be invoked in a manner consistent with the national security. The decisions of the Secretary under this paragraph are final and may not be appealed or reviewed outside the Department of Defense. The Secretary of Defense shall promptly notify the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate whenever this termination authority is exercised.

"(2) Any termination of employment under this subsection shall not affect the right of the officer or employee involved to seek or accept employment with any other department or agency of the United States if he is declared eligible for such employment by the Director of the Office of Personnel Management.

"(3) The Secretary of Defense may delegate authority under this subsection only to the Deputy Secretary of Defense or the Director of the Defense Intelligence Agency or both. An action to terminate any civilian officer or employee by either such officer shall be appealable to the Secretary of Defense.".

(b) The table of sections at the beginning of chapter 83 of title 10, United States Code, is amended by adding after the item relating to section 1603 the following new item:

"1604. Civilian personnel management.".

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 502. (a) Section 5102(a)(1) of title 5, United States Code, is amended—

(1) by striking out "or" at the end of clause (viii);

(2) by inserting "or" at the end of clause (ix); and

(3) by inserting after clause (ix) the following new clause:

"(x) the Defense Intelligence Agency, Department of Defense;".

(b) Section 5342(a)(1) of such title is amended—

(1) by striking out "or" at the end of subparagraph (I);

(2) by inserting "or" at the end of subparagraph (J); and

(3) by inserting after subparagraph (J) the following new subparagraph:

(K) the Defense Intelligence Agency, Department of Defense;".

TITLE VI—COUNTERINTELLIGENCE AND OFFICIAL REPRESENTATION

POLICY TOWARD CERTAIN AGENTS OF FOREIGN GOVERNMENTS

SEC. 601. (a) It is the sense of the Congress that the numbers, status, privileges and immunities, travel, accommodations, and facilities within the United States of official representatives to the United States of official representatives to the United States of any foreign government that engages in intelligence activities within the United States harmful to the national security of the United States should not exceed the respective numbers, status, privileges and immunities, travel accommodations, and facilities within such country of official representatives of the United States to such country.

(b) Beginning one year after the date of enactment of this section, and at intervals of one year thereafter, the President shall prepare and transmit to the Committee on Foreign Relations and Select Committee on Intelligence of the Senate and the Committee on Foreign Affairs and Permanent Select Committee on Intelligence of the House of Representatives a report on the numbers, status, privileges and immunities, travel, accommodations, and facilities within the United States of official representatives to the United States of any for eign government that engages in intelligence activities within the United States harmful to the national security of the United States and the respective numbers, status, privileges and immunities, travel, accommodations, and facilities within such country of official representatives of the United States to such country, and any action which may have been taken with respect thereto.

(c) Section 203 of the State Department Basic Authorities Act of 1956 (22 U.S.C. 4303) is amended—

(1) in subsection (a) by striking out the fifth sentence; and

(2) by amending subsection (b) to read as follows:

"(b) There shall also be a Deputy Director of the Office of Foreign Missions. Either the Director or the Deputy Director of such Office shall be an individual who has served in the United States Foreign Service, while the other of the two shall be an individual who has served in the United States Intelligence Community."

(d) The amendments made by subsection (c) shall apply only with respect to any appointment of a Director or Deputy Director of the Office of Foreign Missions, as the case may be, after the date of enactment of this section.

TITLE VII—GENERAL PROVISIONS

AUTHORITY FOR THE CONDUCT OF INTELLIGENCE ACTIVITIES

SEC. 701. The authorization of appropriations by this Act shall not be deemed to constitute authority for the conduct of any intelligence activity which is not otherwise authorized by the Constitution or laws of the United States.

INCREASES IN EMPLOYEE BENEFITS AUTHORIZED BY LAW

SEC. 702. Appropriations authorized by this Act for salary, pay, retirement, and other benefits for Federal employees may be increased by such additional or supplemental amounts as may be necessary for increases in such benefits authorized by law.

TITLE VIII—ACTIVITIES IN NICARAGUA

MILITARY OR PARAMILITARY ACTIVITIES

SEC. 801. No funds Authorized to be appropriated by this Act or by the Intelligence Authorization Act for fiscal year 1984 (Public Law 98-215) may be obligated or expended for the purpose or which would have the effect of supporting, directly or indirectly, military or paramilitary operations in Nicaragua by any nation, group, organization, movement, or individual, except to the extent provided and under the terms and conditions specified by House Joint Resolution 648, making continuing appropriations for the fiscal year 1985, and for other purposes, as enacted.

Mr. BOLAND (during the reading). Mr. Speaker, I ask unanimous consent that the Senate amendment be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Massachusetts?

Mr. ROBINSON. Mr. Speaker, I reserve the right to object.

(Mr. ROBINSON asked and was given permission to revise and extend remarks, and include extraneous material.)

Mr. ROBINSON. Mr. Speaker, I reserve the right to object, to give the gentleman from Massachusetts an opportunity to explain the Senate amendments.

Mr. BOLAND. Will the gentleman yield?

Mr. ROBINSON. I yield to the gentleman.

Mr. BOLAND. Mr. Speaker, the Senate amendments to H.R. 5399 reflect an agreement reached between the Permanent Select Committee on Intelligence and the Senate Select Committee on Intelligence on all budgetary and legislative matters contained in H.R. 5399, the House version of the intelligence authorization bill for fiscal year 1985 and S. 2713, the Senate version of that bill.

Further, the Senate amendments are fully consistent with those amounts authorized by the fiscal year 1985 Defense Authorization Conference Report for all those tactical intelligence and related activities programs, jointly authorized, by the Intelligence and Armed Services Committees.

Because of the Senate's failure to move earlier on the House-passed bill, the committees were forced to agree in advance, but without formal conference, on all those matters at issue.

Such an agreement has been reached.

As everyone here understands, the reason that it has been held up until this moment is because of the House bill's prohibition on U.S. assistance to the insurgents in Nicaragua.

The Senate amendment solves this issue by incorporating by reference the compromise agreement reached in the continuing resolution on Nicaragua.

It also reflects agreement on provisions authorizing the CIA to designate special police for the protection of their facilities over which the U.S. Government has acquired proprietarial, concurrent, or exclusive jurisdiction.

It contains language expressing the sense of Congress that the numbers, status, and privileges of diplomats of foreign countries who engage in intelligence activities in this country harmful to our interest should not exceed the comparable number, status, and privileges of U.S. diplomats in those countries.

Finally, it provides important new personnel authorities to the Defense Intelligence Agency to enable that Agency to configure its personnel system in ways similar to the personnel systems at the CIA and NSA.

Mr. Speaker, at this point, I ask unanimous consent that a detailed description of the provisions of the Senate amendment be made a part of the RECORD.

This statement should serve in lieu of a statement of managers language that would have accompanied a conference report, had a conference occurred between the two bodies.

Let me finish with a more detailed description of the Nicaragua compromise incorporated by reference into the bill.

Mr. Speaker, the compromise which we have worked out on Nicaragua preserves the House position with one proviso.

No funds may be spent on the secret war in Nicaragua until February 28, 1985.

Thereafter if the President certifies that Nicaragua is supporting anti-Government forces in any other country in Central America, and if he requests more funds for the war, a vote is guaranteed on a joint resolution providing such funds.

This is an MX-type guaranteed vote—an expedited process that ensures a vote on the President's request.

The joint resolution, if approved by both Houses, would remove the prohibition on the use of already appropriated funds for the war.

In any event, no more than $14 million could be spent during the balance of the fiscal year.

This approach goes as far as I believe the strong House position would permit.

Only if Congress affirmatively provides for a renewal of funding for the war could any funds be used for that purpose.

Let me make very clear that this prohibition applies to all funds available in fiscal year 1985 regardless of any accounting procedure at any agency.

It clearly prohibits any expenditure, including those from accounts for salaries and all support costs.

The prohibition is so strictly written that it also prohibits transfers of equipment acquired at no cost.

The compromise allows the President and the Congress to see how several key matters develop in the next 5 months.

Those are: Proposed talks between the Government of El Salvador and the Salvadorean rebels, the continued bilateral talks between the United States and Nicaragua, the resolution of the Contadora Draft Treaty, and the Nicaraguan elections.

The President—whoever he may be—will no doubt take into account events affecting these four matters if he makes a request for funds.

If he does make a request, it will be a new Congress, a new Intelligence Committee and those new facts which will influence the action of the House and Senate.

To repeat, the compromise provision clearly ends U.S. support for war in Nicaragua.

Such support can only be renewed if the President can convince the Congress that this very strict prohibition should be overturned.

Mr. ROBINSON. Continuing my reservation, Mr. Speaker, I support the motion to concur in the Senate amendments to H.R. 5399, the Intelligence Authorization Act for fiscal year 1985.

The bill authorizes appropriations for fiscal year 1985 for the conduct of intelligence and intelligence-related activities by the departments and

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count, the conferees have provided $344.5 million as contained in the Senate bill. This amount will permit two more C-130 PTLOC's to be performed, and will also permit a total of $73 million to be used for the 378-foot cutter renovation and modernization program. I would mention that the conferees also agreed to accept a Senate amendment providing $2 million for a lighthouse at Nantucket Island.

For the FAA, the conference agreement provide $1.37 billion for the facilities and equipment account. This amount will permit the vital airspace modernization program to move forward.

For grants in aid for airports, we have provided $923 million, instead of the $800 million in the House bill and $987 million in the Senate bill. This is $125 million more than was provided last year, and will help reduce the more than $2 billion of approved, unfunded airport improvement projects.

For railroad-highway crossings demonstration projects, we were obliged to agree with the Senate figure of $15 million, which was also the number in the House-passed continuing resolution. We had originally, in H.R. 5921, proposed some $48 million for this program, and in the reduction some worthwhile projects unfortunately had to be squeezed. If we can get our regular bill out next year, perhaps we will be able to do better.

Among the projects funded under this program are ones at Lafayette, IN, $7 million and Lincoln, NE, $1.8 million.

I know that my friends from Colorado have been concerned about the interstate transfer grants for highways, which funds the critical C-470 project in Denver. We have provided for a total program level of $33.3 million for that project.

Under the Federal Railroad Administration, we accepted the Senate figure of $1.9 milllion for rail safety grants, and appropriated $15.5 million for railroad research and development. Of that amount, the Department is expected to follow the House earmarking of funds for continuation of a rail maintenance study by MIT, under the direction of a company with experience in that field.

For the Northeast Corridor Improvement Program (NECIP), we have provided $27.8 million. This will provide first-year funding for the four highest priority items on the so-called 310 list.

The conferees have provided $684 million for Amtrak, of which up to $4 million is for Amtrak's Northeast corridor bridge over the Bush River in Maryland. This is a case where the Coast Guard has imposed bridge opening requirements on Amtrak, which are increasingly expensive and injurious to Amtrak's schedule. These funds will permit the automation of the bridge mechanism. The conferees have made clear that the current bridge opening schedule is not to be expanded after completion of the bridge improvements.

I know that a number of my colleagues have been concerned about Amtrak's West Side connection project in New York. The conferees agreed to the Senate "non-Amtrak" share language, permitting non-Amtrak Federal funds to be counted against the local share up to a maximum total project cost of $50 million, exclusive of right of way acquisition. If the total project cost exceeds $50 million, a more rigorous definition of local funds should be used for the remainder.

New loan guarantee commitments under the section 511 railroad loan guarantee program were limited to $2.5 million.

For mass transit, we have provided $2.45 billion in formula grants, which is $60 million above the budget request. In addition, we have provided for the authorized level of $875 million of these funds to be used for operating assistance.

For new starts, we have provided $422.5 million. This includes $95 million for Atlanta, $117.2 million for Los Angeles, $35 million for Houston, and $2.7 million for light rail.

As indicated in the statement of managers, the conferees are aware that the total cost of completing all of these projects greatly exceeds the funds that are likely to be available. Clearly some way will have to be found to bring the demand for such systems into line with available resources.

The Urban Mass Transportation Administration has published for comment certain criteria to be used in evaluating these proposed new start and extension projects. I believe that this is a worthwhile effort, and one that should be encouraged. It is my hope that over the next several months the Department will consult closely with interested Members of Congress and the appropriate congressional committees, as well as with members of the transit community, in arriving at a final set of consensus criteria. These criteria should be of great value to the Congress as it makes the difficult funding decisions on these projects in the years to come.

For interstate transfer transit grants, the conferees have provided slightly over $13.1 million for Boston, $130.7 million for Chicago, and almost $23 million for Hartford.

For the Interstate Commerce Commission, we have provided the Senate figure of $48 million, which includes funds for the Office of Special Counsel. It may be that we have cut this amount too close to the bone, and I am sure that we would be willing to consider a supplemental if the Commission finds that one is necessary.

Finally, Mr. Speaker, we have included language that prohibits the Department from planning or implementing any change in the current Federal status of the Transportation Systems Center in Cambridge, MA. I hope that this puts to rest, once and for all, any attempt to shut down this outstanding facility and research resource.

Mr. Speaker, for the Treasury-Postal chapter of the continuing resolution, the conference agreement included the provisions of the conference report for H.R. 5798, the Treasury-Postal Service appropriations bill for fiscal year 1985, as amended in House Joint Resolution 648, with two exceptions. First, the conferees agreed to accept a Senate amendment, originally stricken on a point of order, to exempt custom gunmakers from excise tax regulations if they produce less than 50 firearms per year. Second, this agreement includes an amendment to waive the duty requirements for articles necessary for the installation and operation of a telescope in Arizona. During the installation, parts must be sent back and forth to Europe for adjustment and repairs.

The conferees also agreed to accept all amendments adopted by the Senate during the consideration of the continuing resolution. These amendments include a sense of the Senate resolution concerning the conduct of voter registration drives, clarifying language on the customs amendment concerning duty free shops, an additional $3.611 million for the renovation of Blair House, an additional $350,000 for the construction of a road to service the San Luis, AZ, boarder station, technical changes to a provision included in last year's continuing resolution relating to moving expenses for the Senior Executive Service and finally a provision directing certain changes in the SMSA of St. Louis, MO.

This is a fair compromise with acceptable funding levels. I hope that all Members will report these provisions.

Mr. WHITTEN. Mr. Speaker, I yield 5 minutes to the gentleman from Massachusetts [Mr. BOLAND], the ranking member of the committee.

(Mr. BOLAND asked and was given permission to revise and extend his remarks.

Mr. BOLAND. Mr. Speaker, the compromise which we have worked out on Nicaragua preserves the House position with one proviso. No funds may be spent on the secret war in Nicaragua until February 28, 1985. Thereafter if the President certifies that Nicaragua is supporting anti-government forces in any other country in Central America, and if he requests more funds for the war, a vote is guaranteed on a joint resolution providing such funds. This is an MX-type guaranteed vote—an expedited process that ensures a vote on the President's request.

The joint resolution, if approved by both Houses, would remove the prohibition on the use of already appropriated funds for the war. In any event, no more than $14 million could be spent during the balance of the fiscal year.

This approach goes as far as I believe the strong House position would permit. Only if Congress affirmatively provides for a renewal of funding for the war could any funds be used for that purpose.

Let me make very clear that this prohibition applies to all funds available in fiscal year 1985 regardless of any accounting procedure at any agency. It clearly prohibits any expenditures, including those from accounts for salaries and all support costs. The prohibition is so strictly written that it also prohibits transfers of equipment acquired at no cost.

The compromise allows the President and the Congress to see how several key matters develop in the next 5 months. Those are: Proposed talks between the Government of El Salvador and the Salvadoran rebels, the continued bilateral talks between the United States and Nicaragua, the resolution of the Contadora Draft Treaty, and the Nicaraguan elections. The President—whoever he may be—will no doubt take into account events affecting these four matters if he makes a request for funds. If he does make a request, it will be a new Congress, a new Intelligence Committee and those new facts which will influence the action of the House and Senate.

To repeat, the compromise provision clearly ends U.S. support for the war in Nicaragua. Such support can only be renewed if the President can convince the Congress that this very strict prohibition should be overturned.

Mr. LIVINGSTON. Mr. Speaker, will the gentleman yield for a couple of questions?

Mr. BOLAND. I am delighted to yield to the gentleman from Louisiana.

Mr. LIVINGSTON. Mr. Speaker, would the gentleman enlighten me: Does this prohibition prevent any expenditure of funds, direct or indirect, for arms or weapons or use of force in Nicaragua by the United States?

Mr. BOLAND. If it is directed against the Government of Nicaragua, the answer would be in the affirmative, yes.

Mr. LIVINGSTON. Are there no exceptions to this prohibition?

Mr. BOLAND. There are no exceptions to the prohibition.

Mr. LIVINGSTON. So in the unlikely event that tanks were to roll from Nicaragua into Honduras, the United States would be prohibited from taking any action; is that correct?

Mr. BOLAND. Insofar as activities inside Nicaragua are concerned. That is correct. We could, of course, help inside Honduras.

Mr. LIVINGSTON. I thank the gentleman for enlightening me.

Mr. CONTE. Mr. Speaker, I yield such time as he may consume to my good friend, the gentleman from Wisconsin [Mr. PETRI].

(Mr. PETRI asked and was given permission to revise and extend his remarks.)

Mr. PETRI. Mr. Speaker, I rise to draw attention to one portion of the continuing resolution, a Senate amendment on Juvenile Justice, Runaway Youth, and Missing Children. This provision, which passed the House on October 3 as title XXII of H.R. 5690, was the result of hours of negotiations between House and Senate staff representing dozens of Members interested in this legislation from both parties. As a coauthor of H.R. 4971—the original House-passed version of this provision—I was actively involved in those negotiations and support this compromise provision. My earlier floor statements on H.R. 5690 and H.R. 4971 apply equally to the present provision.

Perhaps the most popular section of this legislation is a new initiative to locate abducted children and return them to their families. This is not intended to be a starry-eyed project to track down runaways or cure every problem of childhood. There's not enough money in the Federal Treasury to do that. There will always be kids like Huck Finn in our society, and the Federal Government could not stop them even if it wanted to. But there is a proper role for the Justice Department to combat the kidnapping of children, especially when the abducted children face the risk of sexual abuse or exploitation, torture and even murder.

This may seem like a remote problem to some people, but it is not. Testimony before my subcommittee showed that it is, instead, a random problem that can strike anywhere. One day it's newspaper curriers in Des Moines. Another day it's black children in Atlanta. Yet another day it's young Adam Walsh in Florida. When such abductions occur, they can destroy a family and tear apart a community. We can and should do what we can to combat this problem. The Missing Children's provision in the continuing resolution does this by establishing a national resource center and clearinghouse to provide technical assistance and otherwise coordinate public and private efforts to locate missing children. We must do at least this for our missing children and their families.

The bill also reauthorizes the Juvenile Justice and Delinquency Prevention Act. As you well know, that act has played a vital role in separating youthful offenders from adults in jails. It has also funded research and demonstration projects for treating juvenile delinquency and controlling juvenile delinquents. This legislation continues these efforts while making a variety of administrative and substantive changes. One of these is especially important for the family.

Throughout the bill, new emphasis is focused on addressing the problem of juvenile delinquency in the context of the family by directing program grants and training in this direction. When dealing with delinquent youth, the family can often be the source of either the problem or the solution. In many cases, grandparents can be especially valuable resources in correcting a troubled young person. By supporting local projects designed to tap these resources, this legislation should help rebuild broken families.

Further, let me note that this provision includes the continuation and implementation of the coordinated, National Law-Related Education Program developed and evaluated by the National Institute for Juvenile Justice and Delinquency Prevention. The program has demonstrated that law-related education can help reduce delinquency when properly implemented.

The Law-Related Education Program has been developed largely by five national organizations—the Constitutional Rights Foundation, Law in a Free Society, the National Institute for Citizen Education in the Law, the American Bar Association, and the Phi Alpha Delta Law Fraternity. Support from the Office of Juvenile Justice has enabled these groups to obtain vast experience and expertise in the development and implementation of successful delinquency prevention programs used in a number of States, including my own.

In Wisconsin, the Department of Public Instruction has worked to help establish law-related education programs in over 30 individual school districts. These programs can be found in Appleton, Neenah, White Fish Bay, Janesville, and other locations. In addition, the Wisconsin Bar Foundation sponsors an effective law-related education program called "Project Inquiry."

Law-related education has become an important educational program nationwide. Our action today in including this program in the Juvenile Justice reauthorization guarantees that the momentum of this program will not be lost and that this coordinated national effort will be able to continue.

In a field where failure has been more common than success, law-related education has proven to be a rare exception, an example of a delinquency prevention strategy that works.

Mr. CONTE. Mr. Speaker, I yield 5 minutes to my good friend, the gentleman from Michigan, Mr. HAL SAWYER, who will give us his last speech in the House of Representatives here tonight.

(Mr. SAWYER asked and was given permission to revise and extend his remarks.)

Mr. SAWYER. Mr. Speaker, I want to say that attached to this continuing resolution, kind of as the tail on the dog, if you will, though I do not want to so characterize the continuing resolution, is the biggest crime package, that as far as my staff can research has ever passed the Congress of the United States, approximately 60 bills.

Exhibit 28A

LIST OF BANK ACCOUNTS ON WHICH
MR. AND MRS. RICHARD V. SECORD
ARE AUTHORIZED TO DRAW

	Name of Bank	Approximate Balance
1.	McLean Bank	$1,800.00 (checking)
2.	Northeastern Bank of Pennsylvania	$100.00 (retirement pay deposit here)
3.	Eglin Credit Union	$600.00 (savings)
4.	Northeastern Bank of Pennsylvania	$1,000.00 (savings)
5.	United Virginia Bank	$400.00 (Jo Ann Secord)
6.	Midland Bank London, UK	95.00 (pounds sterling)
7.	McLean Bank (Secord Associates)	$1,100.00 (checking & savings)

Jo Ann Secord
RVSecord

EXHIBIT

EXHIBIT 75

WAIVER AND TERMINATION OF PARTNERSHIP

THIS AGREEMENT is executed this _____ day of November, 1986 by and between DON MAROSTICA, LARRY ROYER and RICHARD SECORD.

WHEREAS, the parties have previously discussed the formation of a general partnership known as TRI-AMERICAN ARMS, but did not execute a written partnership agreement or reach any final oral agreement regarding such a partnership; and

WHEREAS, Messrs. Secord and Royer advanced the sum of One Hundred and Fifty Thousand Dollars ($150,000.00) as an initial contribution to the capital of said proposed partnership and placed the funds in a partnership bank account at the Commercial Bank of Sterling in Sterling, Colorado, which account was controlled by Marostica; and

WHEREAS, the parties now wish to terminate the partnership, to the extent that a partnership exists, and to waive any claims which they may have against each other arising from the affairs of the proposed partnership;

IT IS THEREFORE AGREED BETWEEN THE PARTIES AS FOLLOWS:

1. Termination of Partnership. The partnership known as TRI-AMERICAN ARMS, to the exten that it now exists at law, is hereby terminated and any agreement which the parties may have reached for the formation of such a partnership is hereby rescinded and terminated as of this date.

2. Waiver of Claims by Royer and Secord. Royer and Secord hereby waive any and all claims which they may have against Marostica on their bahalf or on the behalf of any

others on who's behalf they may have been acting in a fiduciary capacity such as but not limited to agent, employee, partner, etc., arising from the business affairs of the proposed partnership, including, without limitation, the claims which Secord and Royer may have against Marostica for distributions which he made to a firm known as Ceretech, in the the amount of Fifty Thousand Dollars ($50,000.00); provided, that the right to reclaim said funds from Ceretech shall remain solely with Royer and Secord.

3. Waiver of Claims by Marostica. Marostica hereby waives any and all claims which he may have against Royer and Secord arising from the business affairs of the proposed partnership. Marostica further waives any interest he may have in and to any of the assets of the proposed partnership, including, without limitation, the following:

a. Any interest which the proposed partnership may have in rights to purchase certain timber lands located on the Quinault Indian Reservation in the State of Washington, including any claim by Marostica for a finder's fee, commission or other compensation arising from the purchase of such land by Royer or Secord or their assignee; and

b. Any rights arising under the relationship between Tri-American Arms and American Arms, Inc., including rights to receive repayment of loans made to American Arms, Inc., or other rights, including security interests in certain assets of American Arms, Inc., arising from a document entitled "Memorandum of Agreement Between American Arms, Inc., a Utah

Corporation, and Tri-American Arms, a Partnership" dated May 16, 1986; and

c. Any and all claims against Ceretech, Inc., a Washington Corporation for repayment of sums loaned by Tri-American Arms to Ceretech.

4. Remaining Assets. Parties hereby agree that any and all assets of Tri-American Arms not specifically listed in this Agreement shall hereafter be the sole and seperate property of Messrs. Secord and Royer with the exception of Three Thousand Dollars ($3,000.00) which said $3,000.00 shall be maintained by Marostica in a trust account to be used by him to defray expenses that may be required for legal fees and for appearances before any judicial or administrative bodies in but not limited to the State of Utah. Marostica hereby waives any and all other claims against such assets.

5. Indemnification. Each party hereby represents and warrants to the others that, except for the obligations discussed in this Agreement, no party has created any other partnership obligation, nor executed any contract or other document on behalf of the proposed partnership which would in any way bind the partnership or the partners to any commitment not contemplated by this Agreement. Each party hereby agrees to indemnify and hold the others harmless from any obligations which breach the covenants and warranties contained in this paragraph.

6. Tax Returns and Liabilities. The parties agree that Royer and Secord shall be responsible for preparing and

filing any tax return which may be required for the partnership and that any net profit or loss on such return shall be be reported to Royer and Secord and that Marostica shall have no tax impact as a result of this transaction.

7. Binding Affect. This Agreement shall be binding upon the individual parties, their heirs, successors and assigns.

EXECUTED on the date and year first written above.

Larry Royer

Richard Secord

Don Marostica

EXHIBIT 76

Ex. 76 Doc 2

CONFIDE[illegible]

File w/ RVS

MEMO

TO: ALBERT HAKIM

RECEIVED AUG 1 1 1986

FROM: BILL ZUCKER

RE: OUR MEETING IN SEATTLE, WASHINGTON
2nd and 3rd OF JULY 1986

DATE: JULY 4, 1986

At your request, I came from Geneva on July [illegible] 1986 to Seattle, Washington to participate with you in a series of meetings pertaining to certain proposed investments to be made by STTGI.

We started our meetings on Wednesday morning with Messrs. Larry Royer, Doug Royer (his son), and Don Marostica and we first discussed the proposed investment in American Arms. To date, STTGI has founded Tri-American Arms with US$150,000, of which Don Marostica disbursed $60,000 to American Arms and/or one of its sub-contractors to pay for the manufacture of 2,000 "receivers" or one of the key elements of the principal products of American Arms.

It was then explained that these 2,000 receivers had been seized by the US Government and that it appeared that certain charges were about to be brought by the US Government against the Goffs, the principals and managers of American Arms.

Although Don Marostica exhibited certain UCC filing statements which allegedly have been filed to show the creditor's interest of Tri-American Arms, he could not come up with any satisfactory answers to certain questions which I raised. One was what could we do with these partially finished receivers even if we could sustain our creditor's interest. A second was did we have any contractual right to force American to sell us the remainder of the parts necessary to manufacture the completed product. A third was whether the financial position of American was sufficient to suggest that it had the means to remain in business.

[illegible]

It came out that American occupied a leased facility (on a month to month basis), had five employees whose function essentially was to assemble parts manufactured by various sub-contractors. We further discussed that even if we could obtain the right to purchase or manufacture the other parts necessary to complete the product, it would cost at least $300. per unit or a minimum $600,000 more, to obtain an inventory of 2,000 finished units. Lastly, it was indicated that these units did not qualify under the old law to be sold to individuals as collector's items but would be saleable only to governments or police forces at a price where the mark-up was considered by all, insufficient to justify the further investment of time and money required. Given all of the above, plus the fact that a marketing effort on behalf of a manufacturer possibly unable to remain in business did not appear to represent an attractive business opportunity, all present agreed that further investment should not be made and that, if possible, the $60,000 invested by Tri-American should be recovered. The issue as to how that was to be done was left for a

As Richard Fincke had arranged for certain persons associated with the proposed timber venture to come to the hotel, we next turned to a consideration of this. It was suggested by Don Marostica and Larry Royer that:
a) This was an unusual opportunity because of a special relationship which they and their associates had with one Wayne Parris, Manager of the Federal Land Bank and with a Mr. Sung Nam Kim.
b) It could be accomplished with a minimal investment of $100,000 on which profits of millions could be realized.
c) That Parris was ready to sign an agreement on behalf of the Bank.

We then met Fincke, Ed Herrman, Sung Nam Kim, Sandy Erickson, the attorney for Fincke on Tri-American (it was not clear) and we commenced to ask questions to learn more about the transaction. In brief, we learned that the Bank foreclosed on the property on October 31, 1985 in a bankruptcy proceeding that was headline news in the local press. To this we raised the question as to why the local timber companies (Weyerhauser, Simpson, Potlatch and numerous others) who were undoubtedly aware that the bank had forclosed on the timber land in question had not deemed the land interesting enough to bid on the property. To this question, we never got an answer from the persons present and we have retained our own local counsel with contacts in two of the large timber companies to get this answer.

We also learned that Ed Herrman expected to be paid by Tri-American to "cruise" the first 10,000 acres and that this could cost up to $25,000. We learned that Sung Nam Kim, some years earlier, had a job with local Korean timber brokers, but that he had a checkered business career, and no particular credibility concerning the sale of the timber. We learned that although the Bank allegedly had agreed to pay an up front commission of $500,000 to Kim (as against our payment of $100,000 after which we could walk away, something so ridiculous that any one even inexperienced, would realize to was impossible), there was (and could not be) no such argeement. We learned that even if the Bank ultimately agreed to give us a contract, the venture would require working capital of approximately $500,000 to make the down payment of $100,000, make additional payment to the Bank to release its lien on a tract or tracts, as well as to get the project underway, all this assuming no collection delays with respect to the sale of the timber.

It soon became apparent that we had no confirmation of the Bank's estimate of the footage or quantities involved, no real agreement with the bank, and only uncertainty as to the destination of $500,000 commission which the Bank allegedly was going to finance. The commission allegedly was to be paid to Kim who, it was suggested, would pay it on to a third party. To my question of how was Kim going to pay his US Federal income tax on this large commission, as he is a resident of the USA, I got no answer and realized that the issue had not been even considered.

At the end of the day we met with Wayne Parris of the Bank and his attorney, Bert Weinrich. They made it clear that:
1) They were in negotiation with a Mr. Atkinson who had proposed an all cash deal.
2) They would not pay $500,000 up front.
3) That although they had received a draft agreement they had not even

5) That they would not even give us a "back-up" contract if the Atkinson offer fell through.
6) They would not give us a right of first refusal on the remaining 32,000 acres (the quantity of timber on which even the Bank did not know).
7) They felt there was an 85% chance that Atkinson would close on at least the first 10,000 acres.

In our discussions it came out that the Bank had been marketing this property since February of this year.

At your request, I located and contacted John Cherry, Partner in charge of the Management Consulting Division of Touche, Ross & Co. in Seattle who will write to me explaining what they could do for us in terms of further analysis of this transaction should we require it. His telephone number is 292 1800. At this time we have no real proposal to analyse. Also, as noted above, our counsel is seeking to obtain input from the major timber companies as to why they have not bought up this property.

The third business opportunity we studied was Ceretech International, the company apparently organized and certainly controlled by Fincke to which Don Marostica has advanced $50,000 of STTGI money.

Apart from the fact that in my opinion Don Marostica does not understand this business and that Fincke and those of his associates we met did not impress me as being of sufficient experience and caliber to manage this business, it is the only one of the proposed ventures we saw that appeared to me to have any element of merit. As I see it, the business is to utilize a process licensed by the Washington Research Foundation, an affiliate of the University of Washington, to upgrade the present use of the wheat residue of ethanol plants now used as cattle feed to a human food supplement with a correspondingly higher price. Whether commercial bankers will be willing to increase their "flour cost" by approximately 50% for the alleged advantages of CERELIFE remains to be seen. You were present when I was given the business plan of CERETECH INTERNATIONAL, only to have Richard Fincke take it back from me and leave me with only a few pages of it containing very general descriptive material and none of the financial information. You are also aware that the estimate of funds required kept changing and from figures as high as $300,000, we learned that they required considerably less.

The present state of this proposed venture, if I well understand it, is to get a pilot plant built so that they may produce enough material to give it a fair test in the market. They talk of being close to signing two license agreements, (each for $100,000) but it seems peculiar to me that a licensee would pay before he had representations and assurances concerning the operation of the plant to be licensed.

In our discussions concerning CERETECH, Don Marostica explained the business as selling the processing plants, licensing the process, and to guaranty the licensee regarding the sale of the product. I questioned the latter as it appeared to me that as the business of CERETECH succeeded, its outstanding guaranty commitments would continue to grow and if there were any problems at any time selling the product (CERELIFE) it would bankrupt the company. To my mind this should bother the present shareholders, future investors, and lenders and when confronted with this Marostica quickly revised his position.

agreed to reimburse the $50,000 advanced from the proceeds of CERETECH'S first license agreement. I suggest that we get CERETECH to sign a promissory note plus some written agreement to this effort plus pledge the stock of Ceretech to secure its obligations. Then I suggest everyone prays that Ceretech can sell a license or otherwise raise funds to reimburse the $50,000. In any event there should be a fixed date for repayment, whether a license is sold or not.

The last business opportunity under consideration is BIO-FINE PHARMACEUTICALS. This company was organized on March 16, 1983 to engage in the federally licensed production of opium derivative pharmaceuticals, more particularly, the bulk manufacturing of opium alkaloids. Although more than three years have elapsed, they are still not yet in business.

For purposes of this memo I will assume that someone involved in BIO-FINE has good contacts in the DEA. Nevertheless, in a letter dated April 19, 1986, Kenneth A. Durrin, a consultant to Bio-Fine, and a former official in the DEA, confirmed that the DEA "has never previously approved an application to process opium and manufacture narcotics that was not already in the pharmaceutical business". According to Durrin, this did not rule out Bio-Fine but it had to demonstrate that it was a real company, its processing to manufacture, including extraction, etc.

Much is made of the involvement of Dr. Austin Smith. However, he appears to be a figurehead only. Vincent Gordacan seems to be the principal mover of the group and his expertise and experience is not disclosed.

If what has been represented is true, I do not understand why the "bridge financing" the Company requires cannot be found from local banks or through the contacts of Dr. Smith. If it is not true, then to what extent is it not true and in what respects.

I am obviously unable to comment upon the business potential as I do not understand it. However, I would think that Federal Government bureaucrats in the DEA would prefer to deal either with a large very reputable pharmaceutical company or if not, with a substantial, well-financed company with experienced management. From the materials presented so far this does not appear to be the case and my judgement is to leave this "opportunity" for others. Futhermore, I have the feeling that this business would require very close supervision and control which you are unable to provide and that without it, certain problems could arise for which you would not wish to be responsible.

As an additional comment Larry Royer indicated that Andy McCaffey of Archer Daniel Midland, the "Father" of alcohol, is disgusted with ADM and wants to join Bio-Fine. Yet I fail to see the relationship of his qualifications to the business of Bio-Fine. Royer's role, if any, is to sell machinery and he will promote anything (with some one else's money) to further that end.

My last comment is that on leaving Seattle on July 4, I rode to the airport with a gentleman from Colorado who attended one of our Ceretech meetings. He apparently was involved in ethanol plants, knew Don Marostica, who in turn brought in Fincke, etc. This gentleman told me of other things he was doing, one of which was raising money for a "new" oil and gas company being put together by John King. I know John King served time in prison as a consequence. When I told this guy to give my regards to John King (who by the way hates my guts because I helped bring down King Resources, the Colorado Corporation) he said he would and he would send me materials so I could "get on the bandwagon" and invest in this wonderful new venture. I told him not to bother.

Move quickly to recuperate the $15,000 remaining in the hands of Don Marostica, also the $25,000 held by Sandy Erickson toward the $100,000 timber earnest money. Then get a note from Ceretech for $50,000 and press to get back the last $60,000 from American Arms. I wish you luck.

① AMERICAN ARMS Project-

2 PHASES

PHASE 1 - 4000 ARMS Before Govt DeadLine

PHASE 2 - Relocation of Plant.

# PHASE ONE Can't Complete Unless phase 2 happens ~~but~~

These Guns will Be Special Ltd Additions: (Trophy Guns)

Selling Price per Unit - $1,800 x 4000 = $7.200.000

Cost per Unit $250 x 4000 $1.000.000

Don, Richard, Larry		
	Margin -	$ 6.200.000
	PayBack (Money USR)	$ 200.000
4.200,000		6,000,000
	30% To American Arms	1,800,000

(2) Assignments -

Don - Hold American Arms in line and negotiate phase I + II

Dick - Capital

Larry - Get the extra 2000 Rounds made - before the deadline -

---

Objectives of phase II

A) Our group gets World Wide Marketing Rights -
B) Stock in American Arms' Obtained thru Relocation Deal.
C) Laser Built of Shore -
D) We Control all Marketing:
Lic Plants:

③ Projection of SAles 1st yeAR =

* No Domestic SAles projecteD

1000 - 1500 - Saudi & Gulf States

4000 Contra

25% Commission based on $1000 per Unit. $1,375,000

* This is [illegible] the efforts of StanforD Tech.

Questions:

Offshore Corp - TAX ~~Advantages~~.

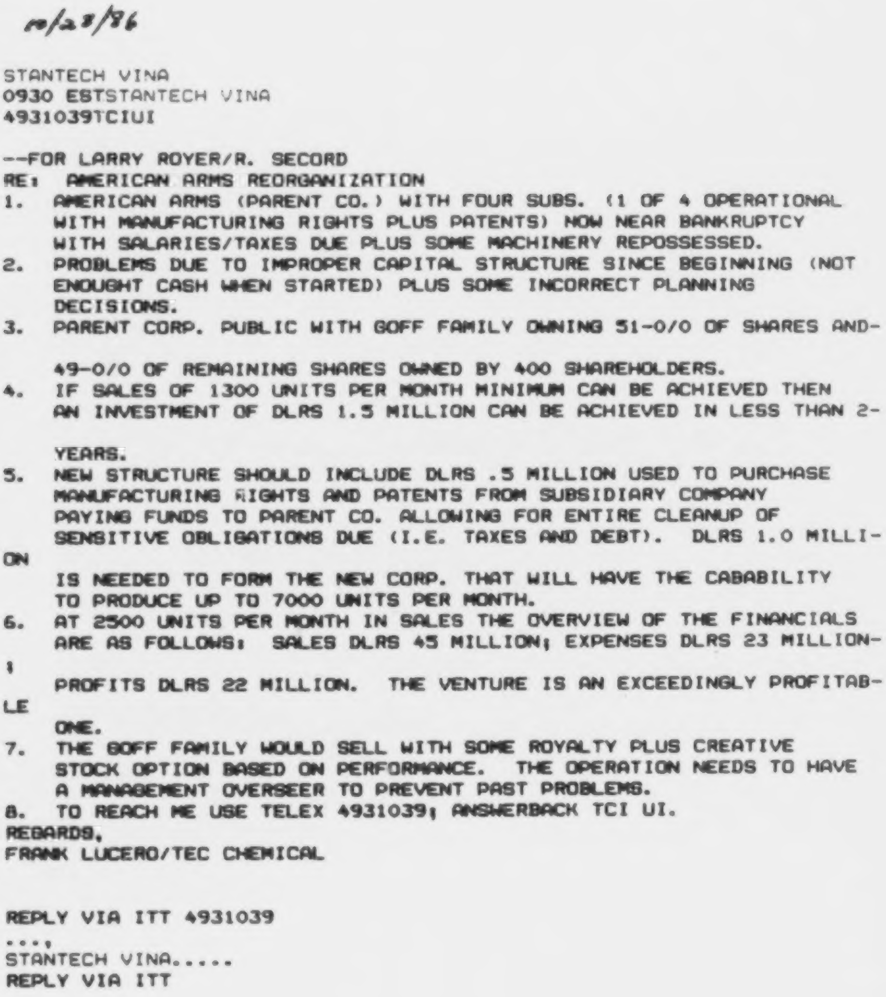
New Market Company.

Don - Larry - Rich. - Albert.

What other items can we effectively Market?

[illegible] John Deere Eq. Complete Plants. Attack Phillipines

EXHIBIT 77



10/28/86

STANTECH VINA
0930 ESTSTANTECH VINA
4931039TCIUI

--FOR LARRY ROYER/R. SECORD
RE: AMERICAN ARMS REORGANIZATION
1. AMERICAN ARMS (PARENT CO.) WITH FOUR SUBS. (1 OF 4 OPERATIONAL
WITH MANUFACTURING RIGHTS PLUS PATENTS) NOW NEAR BANKRUPTCY
WITH SALARIES/TAXES DUE PLUS SOME MACHINERY REPOSSESSED.
2. PROBLEMS DUE TO IMPROPER CAPITAL STRUCTURE SINCE BEGINNING (NOT
ENOUGHT CASH WHEN STARTED) PLUS SOME INCORRECT PLANNING
DECISIONS.
3. PARENT CORP. PUBLIC WITH GOFF FAMILY OWNING 51-0/0 OF SHARES AND-

49-0/0 OF REMAINING SHARES OWNED BY 400 SHAREHOLDERS.
4. IF SALES OF 1300 UNITS PER MONTH MINIMUM CAN BE ACHIEVED THEN
AN INVESTMENT OF DLRS 1.5 MILLION CAN BE ACHIEVED IN LESS THAN 2-

YEARS.
5. NEW STRUCTURE SHOULD INCLUDE DLRS .5 MILLION USED TO PURCHASE
MANUFACTURING RIGHTS AND PATENTS FROM SUBSIDIARY COMPANY
PAYING FUNDS TO PARENT CO. ALLOWING FOR ENTIRE CLEANUP OF
SENSITIVE OBLIGATIONS DUE (I.E. TAXES AND DEBT). DLRS 1.0 MILLI-
ON
IS NEEDED TO FORM THE NEW CORP. THAT WILL HAVE THE CABABILITY
TO PRODUCE UP TO 7000 UNITS PER MONTH.
6. AT 2500 UNITS PER MONTH IN SALES THE OVERVIEW OF THE FINANCIALS
ARE AS FOLLOWS: SALES DLRS 45 MILLION; EXPENSES DLRS 23 MILLION-
;
PROFITS DLRS 22 MILLION. THE VENTURE IS AN EXCEEDINGLY PROFITAB-
LE
ONE.
7. THE GOFF FAMILY WOULD SELL WITH SOME ROYALTY PLUS CREATIVE
STOCK OPTION BASED ON PERFORMANCE. THE OPERATION NEEDS TO HAVE
A MANAGEMENT OVERSEER TO PREVENT PAST PROBLEMS.
8. TO REACH ME USE TELEX 4931039; ANSWERBACK TCI UI.
REGARDS,
FRANK LUCERO/TEC CHEMICAL

REPLY VIA ITT 4931039
...,
STANTECH VINA.....
REPLY VIA ITT

IV

100TH CONGRESS
1ST SESSION

H. RES. 12

Creating a Select Committee to Investigate Covert Arms Transactions with Iran.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 6, 1987

Mr. FOLEY (for himself, Mr. MICHEL, Mr. HAMILTON, and Mr. CHENEY) submitted the following resolution; which was referred to the Committee on Rules

JANUARY 7, 1987

The Committee on Rules discharged; considered and agreed to

RESOLUTION

Creating a Select Committee to Investigate Covert Arms Transactions with Iran.

Resolved, That (1) There is hereby created a Select Committee to Investigate Covert Arms Transactions with Iran, to be composed of fifteen Members of the House to be appointed by the Speaker, one of whom he shall designate as chairman, and one of whom he shall designate as vice chairman. Any vacancy occurring in the membership of the select committee shall be filled in the same manner in which the original appointment was made. The select committee is authorized and directed to conduct a full and complete investigation and study, and to make such findings and recommendations to the House as the select committee deems appropriate, including those concerning the amendment of existing legislation or the enactment of new legislation, regarding the following matters:

(a) Direct or indirect sale or transfer of arms, technology or intelligence information to Iran or Iraq involving United States Government officers, employees, consultants, agents, or persons acting in concert with them, or occurring with their approval, condonation, acquiescence, or knowledge; the relation of such sale or transfer to efforts to obtain the release of hostages and to United States policy regarding dealings with nations supporting terrorism; the United States' relationship with the Iran-Iraq war, including the impact of such sale or transfer; and such sale or transfer either made to any other country for which such action is against the expressed policy of the United States, or generating proceeds used or disposed of apart from deposit in the Treasury.

(b) Diversion or intended diversion of the funds realized in connection with the sale or transfer in paragraph (a), for financing assistance to anti-Government forces in Nicaragua or any other disposition apart from deposit in the Treasury; and other assistance to such forces from any sources when, in the judgment of the select committee, information about such other assistance may aid in understanding the nature, mechanisms, extent, legality, and significance of assistance financed or intended to be financed by such sale or transfer; "assistance" includes provision of supplies, soliciting of third-party funds, training, advising, planning, procuring, or encouraging, or by the United States Government providing diplomatic, military, paramilitary, covert, or intelligence support or monitoring.

(c) In connection with the matters described in this section, the violation of any law, agreement, promise or understanding regarding reporting to, and informing of, the Congress, or the circumvention or violation of any Act of Congress or administrative order, regulation, or procedure, including those governing covert actions, restricting arms sales, regulating appropriations, withholding authority from departments and agencies, and protecting the United States from conspiracy to violate the laws, unauthorized disposition of things of value, fraud, false statements, and obstruction of proceedings.

(d) Operational activities and the conduct of foreign and national security policy by the staff of the National Security Council or other White House personnel, including the involvement of such staff or other executive branch personnel or persons acting in concert with them, or the use of any funds under the control of such staff or persons, in political advocacy or campaigns or efforts to influence public opinion or legislation relating to the subjects described in this section including assistance to anti-Government forces in Nicaragua; and the participation, coordination, and awareness, or lack thereof, regarding such activities and conduct by the Departments of State and Defense, the Department of Justice in both its advisory and law enforcement functions, the intelligence community, and other governmental entities.

(e) Authorization and supervision or lack thereof of the matters in this section by the President and other White House personnel.

(f) The role of individuals and entities outside the government, including foreign countries, entities, and persons, in connection with the matters in this section, including their own assistance, their parallel activities, United States efforts to encourage or to prevent such parallel activities, and the use of domestic and foreign financial or other entities as intermediaries in the matters in this section.

(g) Inquiries regarding the matters in this section, including actions based on those inquiries, by the Attorney General, the Departments of Justice, State, and Defense, the intelligence community, the White House, and other governmental entities; actions of individuals in destroying, concealing, or failing to provide any evidence or information of possible value to those inquiries; and the timing, adequacy, and any conflicts of interest in those inquiries.

(h) The impact of the matters in this section on public and international confidence in the United States Government and on United States policy objectives, both internationally and domestically, and the adequacy of the steps taken to reduce such impact.

(i) All matters relating directly or indirectly to the foregoing.

(2) One-third of the members of the select committee shall constitute a quorum for the transaction of business other than the reporting of a matter, which shall require a majority of the committee to be actually present, except that the select committee may designate a lesser number, but not less than two, as a quorum for the purpose of holding hearings to take testimony. When a quorum for any particular purpose is present, general proxies may be counted for that purpose. The select committee may sit while the House is reading a

measure for amendment under the five-minute rule. The rules of the House shall govern the select committee where not inconsistent with this resolution. The select committee shall adopt additional written rules, which shall be public, to govern its procedures, which shall not be inconsistent with this resolution or the rules of the House. Such rules may govern the conduct of the depositions, interviews, and hearings of the select committee, including the persons present.

(3) The select committee is authorized to sit and act during the present Congress at such times and places within the United States, including any Commonwealth or possession thereof, or in any other country, whether the House is in session, has recessed, or has adjourned; to require, by subpoena or otherwise, the attendance and testimony of such witnesses, the furnishing of information by interrogatory, and the production of such books, records, correspondence, memoranda, papers, documents, calendars, recordings, data compilations from which information can be obtained, tangible objects, and other things and information of any kind as it deems necessary, including all intelligence materials however classified, White House materials, and materials pertaining to unvouchered expenditures or concerning communications interceptions or surveillance; and to obtain evidence in other appropriate countries with the cooperation of their governments. Unless otherwise determined by the select committee

the chairman, upon consultation with the ranking minority member, or the select committee, shall authorize and issue subpoenas. Subpoenas shall be issued under the seal of the House and attested by the Clerk, and may be served by any persons designated by the chairman or any member. Provisions may be included in the rules and process of the select committee to prevent the disclosure of committee demands for information. The select committee may request investigations, reports, and other assistance from any agency of the executive, legislative, and judicial branches of the Federal Government.

(4) The chairman, or in his absence the vice chairman, or in their absence a member designated by the chairman, shall preside at all meetings and hearings of the select committee. All meetings and hearings of the committee shall be conducted in open session, unless a majority of members of the select committee voting, there being in attendance the requisite number required for the purpose of hearings to take testimony, vote to close a meeting or hearing. Pursuant to rule XI(3)(f)(2), coverage of testimony of subpoenaed witnesses will be limited at their request, unless a majority of members of the select committee voting, there being in attendance the requisite number required for the conduct of business, vote otherwise.

(5) The chairman, upon consultation with the ranking minority member, may employ and fix the compensation of such clerks, experts, consultants, technicians, attorneys, investigators, and clerical and stenographic assistants as it considers necessary to carry out the purposes of this resolution. No more than three such staff may receive compensation corresponding to Executive Level IV. The select committee shall be deemed a committee of the House for all purposes of law, including rule XI(2)(n), and sections 6005, 1505, and 1621 of title 18, section 192 of title 2, 1754(b)(1)(B)(ii) of title 22, and section 734(a) of title 31, United States Code. The select committee may reimburse the members of its staff for travel, subsistence, and other necessary expenses incurred by them in the performance of the duties vested in the select committee, other than expenses in connection with meetings of the select committee held in the District of Columbia. Staff of the House or joint committees, at the direction of their Members, committee chairmen, or the Speaker, as appropriate, and upon request of the select committee, may serve as associate staff to the select committee for designated purposes. Associate staff shall be deemed staff of the select committee to the extent necessary for those designated purposes.

(6) Unless otherwise determined by the select committee the chairman, upon consultation with the ranking minority member, or the select committee, may authorize the taking of

affidavits, and of depositions pursuant to notice or subpoena, by a Member or by designated staff, under oath administered by a Member or a person otherwise authorized by law to administer oaths. Deposition and affidavit testimony shall be deemed to have been taken in Washington, DC, before the select committee once filed there with the clerk of the committee for the committee's use. Unless otherwise directed by the committee, all depositions, affidavits, and other materials received in the investigation shall be considered nonpublic until received by the select committee, except that all such material shall, unless otherwise directed by the committee, be available for use by the Members of the select committee in open session.

(7) Pursuant to sections 6103(f)(3) and 6104(a)(2) of title 26, United States Code, for the purpose of investigating the subjects set forth in this resolution and since information necessary for this investigation cannot reasonably be obtained from any other source, the select committee shall be specially authorized to inspect and receive for the tax years 1980–1986 any tax return, return information, or other tax-related material, held by the Secretary of the Treasury, related to individuals and entities named by the select committee as possible participants, beneficiaries, or intermediaries in the transactions under investigation. As specified by section

6103(f)(3) of title 26, United States Code, such materials and information shall be furnished in closed executive session.

(8) The select committee shall be authorized to respond to any judicial or other process, or to make any applications to court, upon consultation with the Speaker consistent with rule L.

(9) The select committee may submit to standing committees, including the Permanent Select Committee on Intelligence, specific matters within their jurisdiction, and may request that such committees pursue such matters further. Committees pursuing such requested inquiries may, in turn, receive the continuing assistance, consistent with the select committee's own jurisdiction, of the select committee's legal process, personnel, and records. Committees which pursue or have pursued inquiries, during the previous or current Congress, within the subjects of the select committee investigation shall furnish the select committee with copies of all testimony and documents.

(10) The select committee shall provide other committees and Members of the House with access to information and proceedings, consistent with rule XLVIII(7)(c)(2): *Provided,* That the select committee may direct that particular matters or classes of matter shall not be made available to any person by its members, staff, or others, or may impose any other restriction. The select committee may require its

staff to enter nondisclosure agreements, and its chairman, in consultation with the ranking minority member, may require others, such as counsel for witnesses, to do so. The Committee on Standards of Official Conduct may investigate any unauthorized disclosure of such classified information by a Member, officer, or employee of the House or other covered person upon request of the select committee. If, at the conclusion of its investigation, the Committee on Standards of Official Conduct determines that there has been a significant unauthorized disclosure, it shall report its findings to the House and recommend appropriate sanctions for the Member, officer, employee, or other covered person consistent with rule XLVIII(7)(e) and any committee restriction, including nondisclosure agreements.

(11) Authorized expenses of the select committee for investigations and studies, including for the procurement of the services of individual consultants or organizations thereof, and for training of staff, shall be paid from the contingent fund of the House upon vouchers signed by the chairman and approved by the Speaker.

(12) The select committee shall report to the House the final results of its investigation and study, together with such recommendations for legislation or other matters as it deems advisable, as soon as practicable during the present Congress, and in no event later than October 30, 1987, unless

the House directs otherwise. Following the filing of its final report, it shall have one month before the authority herein shall expire in order to close its affairs, including provision of assistance to committees pursuing remaining inquiries, transmittal of records to other committees, and storage of its remaining records by the Clerk of the House, who may, as directed by the select committee, store records in secure facilities of the intelligence community pursuant to agreement retaining control of access by the House.

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III

100TH CONGRESS
1ST SESSION

S. RES. 23

Establishing a select committee of the Senate to conduct an investigation and study of activities by the National Security Council and other agencies of the United States Government with respect to the direct or indirect sale, shipment, or other provision of arms to Iran and the use of the proceeds from any such transaction to provide assistance to any faction or insurgency in Nicaragua or in any other foreign country, or to further any other purpose, and related matters.

IN THE SENATE OF THE UNITED STATES

JANUARY 6, 1987

Mr. BYRD (for himself, Mr. DOLE, Mr. INOUYE, and Mr. RUDMAN) submitted the following resolution; which was considered, modified, and agreed to

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RESOLUTION

Establishing a select committee of the Senate to conduct an investigation and study of activities by the National Security Council and other agencies of the United States Government with respect to the direct or indirect sale, shipment, or other provision of arms to Iran and the use of the proceeds from any such transaction to provide assistance to any faction or insurgency in Nicaragua or in any other foreign country, or to further any other purpose, and related matters.

Resolved,

ESTABLISHMENT OF THE SELECT COMMITTEE

SECTION 1. (a) There is established a select committee of the Senate to be known as the Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposition (hereafter in this resolution referred to as the "select committee").

(b) The purpose of the select committee is—

(1) to conduct an investigation into, and study of, all matters which have any tendency to reveal the full facts about—

(A) any activity of—

(i) the National Security Council or of any member or staff thereof,

(ii) any other department, agency, or entity of the United States Government or of any officer or employee thereof,

(iii) any foreign government, or of any agency or instrumentality thereof, or of any officer or employee thereof, or

(iv) any other individual, group, corporation, entity, or organization,

which relates to—

(I) the direct or indirect sale, shipment, or other provision of arms, or the direct or indirect provision of materiel, funds, or other assistance, to Iran,

(II) the use of the proceeds from any transaction described in subclause (I) to provide assistance to any faction or insurgency in Nicaragua or in any other foreign country, or to further any political purpose or activity within the United States, or to further any other purpose of any nature whatsoever,

(III) the generation and use of any other money, item of value, or service to provide assistance to the Nicaraguan democratic resistance, or

(IV) the provision of coordination of support for persons or entities engaged as insurgents in armed conflict with the Government of Nicaragua,

in order to determine whether any such activity was illegal, improper, unauthorized, or unethical;

(B) any other activity, circumstance, material, or transaction having a tendency to prove or disprove that any official of the United States Government, or any other person, acting either individually or in combination with others, engaged in any activity which was illegal, improper, unauthorized, or unethical, in connection with any activity described in subclause (I), (II), (III), or (IV) of clause (A) or in connection with the operations described in clause (C); and

(C) the suitability of the structure and operations of the National Security Council, and persons serving as staff, consultants, or agents thereto, for any function related to the formulation, implementation, or conduct of American national security policy; and

(2)(A) to make such findings of fact as are warranted and appropriate;

(B) to make such recommendations, including recommendations for new legislation and amendments to existing laws and any administrative or other actions, as the select committee may determine to be necessary or desirable; and

(C) to fulfill the Constitutional oversight and informing function of the Congress with respect to the matters described in this section.

(c) For purposes of this section, the term "Iran" includes the Government of Iran, any agency or instrumentality thereof, any officer or employee thereof, or any person purporting to represent the Government of Iran or any agency or instrumentality thereof, any national of Iran, or any person located in Iran.

MEMBERSHIP AND ORGANIZATION OF THE SELECT COMMITTEE

SEC. 2. (a)(1) The select committee shall consist of eleven members of the Senate, six of whom shall be appointed by the President pro tempore of the Senate from the majority party of the Senate upon the recommendation of the Majority Leader of the Senate, and five of whom shall be appointed by the President pro tempore of the Senate from the minority party of the Senate upon the recommendation of the Minority Leader of the Senate.

(2) Vacancies in the membership of the select committee shall not affect the authority of the remaining members to execute the functions of the select committee and shall be filled in the same manner as original appointments to it are made.

(3) For the purpose of paragraph 4 of rule XXV of the Standing Rules of the Senate, service of a Senator as a member, chairman, or vice chairman of the select committee shall not be taken into account.

(b)(1) The chairman of the select committee shall be selected by the Majority Leader of the Senate and the vice chairman of the select committee shall be selected by the Minority Leader of the Senate. The vice chairman shall discharge such responsibilities as the select committee or the chairman may assign.

(2) A majority of the voting members of the select committee shall constitute a quorum for reporting a matter or recommendation to the Senate, except that the select committee may fix a lesser number as a quorum for the purpose of taking testimony before the select committee or for conducting the other business of the select committee.

(c)(1) The select committee shall promptly adopt rules and procedures not inconsistent with the rules and procedures of the Senate.

(2) The rules and procedures of the select committee shall—

(A) govern the proceedings of the select committee; and

(B) consistent with section 6 of this resolution—

(i) provide for the security of the records of the select committee and the protection of classified information and materials; and

(ii) prevent the unauthorized disclosure of information and materials obtained by the select committee in the course of its investigation and study.

STAFF OF THE SELECT COMMITTEE

SEC. 3. (a)(1) To assist the select committee in its investigation and study, the chairman, after consultation with the vice chairman and the approval of the select committee, shall appoint the committee staff.

(2) All staff shall work for the select committee as a whole, shall report to the chairman and vice chairman and, except as otherwise provided by the select committee, shall be under the direction of the chairman.

(b) To assist the select committee in its investigation and study, the Senate Legal Counsel and Deputy Senate Legal Counsel shall work with and under the jurisdiction and authority of the select committee.

(c) The Majority and Minority leaders of the Senate may each designate one staff person to serve on the staff of the select committee to serve as their liaison to the select committee.

(d) The Comptroller General of the United States is requested to provide from the General Accounting Office whatever personnel, investigatory, material, or other appropriate assistance may be required by the select committee.

PUBLIC ACTIVITIES OF THE COMMITTEE

SEC. 4. (a) Consistent with—

(1) the rights of persons subject to investigation and inquiry,

(2) considerations of national security, including the protection of sources and methods of intelligence gathering and analysis, and

(3) the interests of the relationship of the United States with other nations,

the select committee shall make every effort to fulfill the right of the public and the Congress to know the essential facts and implications of the activities of officials of the United States Government and other persons and entities with respect to the matters under investigation and study as described in section 1.

(b) In furtherance of the public's and Congress' right to know, the select committee—

(1) shall hold, as it considers appropriate, open hearings;

(2) may make interim reports to the Senate as it considers appropriate; and

(3) shall make a final comprehensive public report to the Senate which contains a description of all relevant factual determinations consistent with subsection (a) of this section and section 1(b)(2) and which contains recommendations for new legislation and other actions pursuant to the goal of an open, lawful, and effective conduct of American national security policy and, when necessary, lawful intelligence activities in support of American national security policy.

(c) The decision as to what matters shall be heard in closed or open session shall be determined by the select committee in accordance with paragraph 5(b) of rule XXVI of the Standing Rules of the Senate.

POWERS OF THE SELECT COMMITTEE

SEC. 5. (a) The select committee shall do everything necessary and appropriate under the laws and Constitution of the United States to make the investigation and study specified in section 1.

(b) The select committee is authorized to issue subpoenas for obtaining testimony and for the production of documentary or physical evidence. A subpoena may be authorized and issued by the select committee, acting through the chairman or any other member designated by the chairman, and may be served by any person designated by such chairman or other member anywhere within or without the borders of the United States to the full extent permitted by law. The chairman of the select committee, or any other member thereof, is authorized to administer oaths to any witnesses appearing before the committee.

(c) The select committee may exercise the powers conferred upon committees of the Senate by sections 6002 and 6005 of title 18, United States Code.

(d) The select committee is authorized to do the following:

(1) To employ and fix the compensation of such clerical, investigatory, legal, technical, and other as-

sistants as the select committee considers necessary or appropriate.

(2) To sit and act at any time or place during sessions, recesses, and adjournment periods of the Senate.

(3) To hold hearings for taking testimony under oath or to receive documentary or physical evidence relating to the matters and questions it is authorized to investigate or study.

(4) To require by subpoena or order the attendance, as witnesses before the select committee or at depositions, of any person who may have knowledge or information concerning any of the matters the select committee is authorized to investigate and study.

(5) To take depositions and other testimony under oath anywhere within the United States or in any other country, to issue orders by the chairman or any other member designated by the chairman which require witnesses to answer written interrogatories under oath, to make application for issuance of letters rogatory, and to request, through appropriate channels, other means of international assistance, as appropriate.

(6) To issue commissions and to notice depositions for staff members to examine witnesses and to receive evidence under oath administered by an individual authorized by local law to administer oaths. The select

committee, acting through the chairman, may authorize and issue, and may delegate to designated staff members the power to authorize and issue, commissions and deposition notices.

(7) To require by subpoena or order—

(A) any department, agency, entity, officer, or employee of the United States Government,

(B) any person or entity purporting to act under color or authority of State or local law, or

(C) any private person, firm, corporation, partnership, or other organization,

to produce for its consideration or for use as evidence in the investigation or study of the select committee any book, check, canceled check, correspondence, communication, document, financial record, paper, physical evidence, photograph, record, recording, tape, or any other material relating to any of the matters or questions such committee is authorized to investigate and study which they or any of them may have in their custody or under their control.

(8) To make to the Senate any recommendations, including recommendations for criminal or civil enforcement, which the select committee may consider appropriate with respect to—

(A) the willful failure or refusal of any person to appear before it, or at a deposition, or to answer interrogatories, in obedience to a subpoena or order;

(B) the willful failure or refusal of any person to answer questions or give testimony during his appearance as a witness before such committee, or at a deposition, or in response to interrogatories; or

(C) the willful failure or refusal of—

(i) any officer or employee of the United States Government,

(ii) any person or entity purporting to act under color or authority of State or local law, or

(iii) any private person, partnership, firm, corporation, or organization,

to produce before the committee, or at a deposition, or at any time or place designated by the committee, any book, check, canceled check, correspondence, communication, document, financial record, paper, physical evidence, photograph, record, recording, tape, or any other material in obedience to any subpoena or order.

(9) To procure the temporary or intermittent services of individual consultants, or organizations thereof, in the same manner and under the same conditions as a standing committee of the Senate may procure such services under section 202(i) of the Legislative Reorganization Act of 1946 (2 U.S.C. 72a(i)).

(10) To use on a reimbursable basis, with the prior consent of the Government department or agency concerned and the Committee on Rules and Administration of the Senate, the services of personnel of such department or agency.

(11) To use, with the prior consent of the chairman of any other Senate committee or the chairman of any subcommittee of any committee of the Senate, the facilities or services of any members of the staff of such other Senate committee whenever the select committee or its chairman considers that such action is necessary or appropriate to enable the select committee to make the investigation and study provided for in this resolution.

(12) To have access through the agency of any members of the select committee, staff director, chief counsel, or any of its investigatory assistants designated by the chairman, to any data, evidence, information, report, analysis, document, or paper—

(A) which relates to any of the matters or questions which the select committee is authorized to investigate or study;

(B) which is in the custody or under the control of any department, agency, entity, officer, or employee of the United States Government, including those which have—

(i) the power under the laws of the United States to investigate any alleged criminal activities or to prosecute persons charged with crimes against the United States; or

(ii) the authority to, or which in fact has, conducted intelligence gathering or intelligence activities,

without regard to the jurisdiction or authority of any other Senate committee; and

(C) which will aid the select committee to prepare for or conduct the investigation and study authorized and directed by this resolution.

(13) To report violations of any law to the appropriate Federal, State, or local authorities.

(14) To expend, to the extent the select committee determines necessary and appropriate, any moneys made available to such committee by the Senate to

make the investigation, study, and reports authorized by this resolution.

(e) The level of compensation payable to any employee of the select committee shall not be subject to any limitation on compensation otherwise applicable to an employee of the Senate.

PROTECTION OF CONFIDENTIAL AND CLASSIFIED INFORMATION

SEC. 6. (a)(1) Before being given access to any classified information, any member of the staff of, or consultant to, the select committee shall have the appropriate security clearance and a need to know such information. The chairman of the select committee shall decide which select committee staff members and consultants are required to have security clearances.

(2) All staff members and consultants shall, as a condition of employment, agree in writing to abide by the conditions of an appropriate nondisclosure agreement promulgated by the select committee.

(3) The case of any Senator who violates the security procedures of the select committee may be referred to the Select Committee on Ethics of the Senate for the imposition of sanctions in accordance with the rules of the Senate. Any staff member or consultant who violates the security procedures of the select committee shall immediately be subject to removal from office or employment with the select committee

or shall be subject to such other sanction as may be provided in the rules of the select committee.

(b)(1) Any classified information obtained by the select committee either directly from the Executive branch of the United States Government, through the Select Committee on Intelligence of the Senate, or by other means, shall be disclosed only in the same manner in which such information may be disclosed under the provisions of section 8 of Senate Resolution 400 (Ninety-fourth Congress, second session), except that references to the Select Committee on Intelligence in such section shall be deemed to be references to the select committee established under this resolution.

(2) The select committee shall make suitable arrangements, in consultation with the Select Committee on Intelligence of the Senate, for the physical protection and storage or classified information provided to the select committee.

(3) Upon the termination of the select committee pursuant to section 9 of this resolution, all records, files, documents, and other materials in the possession, custody, or control of the select committee, under appropriate conditions established by such committee, shall be transferred to the Select Committee on Intelligence of the Senate.

RELATION TO OTHER INVESTIGATIONS

SEC. 7. (a) In order to—

(1) expedite the thorough conduct of the investigation and study authorized by this resolution,

(2) promote efficiency among all the various investigations underway in all branches of the United States Government, and

(3) engender a high degree of confidence on the part of the public regarding the conduct of such investigation,

the select committee is encouraged—

(A) to seek the full cooperation of all relevant investigatory bodies, and

(B) to seek access to all information which is acquired and developed by such bodies.

(b)(1) The Select Committee on Intelligence is hereby directed to prepare and provide to the select committee, in closed session a report of its investigation into matters described in section 1 of this resolution, which report shall include a summary of the testimony and chronology of events developed by the Select Committee on Intelligence, together with a listing of unresolved questions and issues which it recommends be pursued by the select committee as soon as possible, and the select committee may release as much of the information in such report to the public as it deems advisable, consistent with the interest of the public and national security, and is deemed by the committee to be in the public interest after a determination by such committee that the public interest would be served by such disclosure.

(2) The select committee, through its members and appropriate staff, shall be provided full access to all records, files, documents and other materials in the possession, custody, or control of the Select Committee on Intelligence of the Senate, obtained or produced by the Select Committee on Intelligence of the Senate with respect to any matter described in section 1 of this resolution.

(3) All subpoenas issued by the Select Committee on Intelligence of the Senate on any matter described in section 1 of this resolution shall continue in force and may be enforced by the select committee as if issued by the select committee.

(c) The Senate requests that any independent counsel appointed pursuant to chapter 39 of title 28, United States Code, to investigate any matter related to a matter described in section 1 of this resolution, make available to the select committee, as expeditiously as possible, all documents and information which may assist the select committee in its investigation and study.

SALARIES AND EXPENSES

SEC. 8. Such sums as are necessary shall be available from the contingent fund of the Senate out of the Account for Expenses for Inquiries and Investigations for payment of salaries and other expenses of the select committee under this resolution, which shall include sums which shall be available for the procurement of the services of individual consultants or organizations thereof, in accordance with section 5(d)(9). Payment of expenses shall be disbursed upon vouchers approved by the chairman of the select committee, except that vouchers shall not be required for the disbursement of salaries paid at an annual rate.

REPORTS; TERMINATION

SEC. 9. (a)(1) The select committee shall make a final public report to the Senate of the results of the investigation and study conducted by such committee pursuant to this resolution, together with its findings and any recommendations at the earliest practicable date, but not later than August 1, 1987: *Provided,* That on or before August 1, 1987 a privileged motion made by the majority leader, to be debatable for no more than 1 hour, in the usual form, shall be in order, namely, "I move that the time be extended from August 1, 1987 to October 30, 1987 for the investigation by and final report of the select committee." The select committee shall also submit to the Senate such interim reports as it considers appropriate.

(2) The final report of the select committee may be accompanied by whatever classified or confidential annexes are necessary to protect classified or confidential information, particularly intelligence sources and methods.

(b) After submission of its final report, the select committee shall conclude its business and close out its affairs as expeditiously as practicable.

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NAVAL WAR COLLEGE
Newport, R.I.

UNCONVENTIONAL WARFARE/COVERT OPERATIONS AS AN INSTRUMENT OF U.S. FOREIGN POLICY

by

Richard V. Secord

Lieutenant Colonel, U.S. Air Force

A Thesis submitted to the Faculty of the Naval War College and The School of Public and International Affairs of The George Washington University in partial satisfaction of the requirements for the degree of Master of Science in International Affairs.

The contents of this paper reflect my own personal views and are not necessarily endorsed by the Naval War College or the Department of the Navy.

Signature:

19 June 1972

Thesis directed by
Clarence O. Huntley
CIA Advisor to the President, Naval War College

Approved by:

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Signature: Richard V. Secord

19 June 1972

Thesis directed by
Waring C. Hopkins, Ph.D.
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Abstract of

UNCONVENTIONAL WARFARE/COVERT OPERATIONS AS AN INSTRUMENT OF U.S. FOREIGN POLICY

The controversial area of "secret" warfare as a distinct instrumentality of U.S. foreign policy is analyzed in this study. The paper's purpose is to define and determine the nature and utility of this type of warfare which has been so prevalent since World War II. The study encompasses a simplification of the semantics sometimes connected with unconventional warfare or covert operations and case studies of U.S. "secret" operations in Guatemala, Cuba, Congo, Vietnam and Laos. U.S. objectives and lessons learned are derived for each case. The paper then attempts to assimilate these data and draw logical conclusions as to the necessity, efficacy, and resources involved in the United States' use of this little discussed mechanism of foreign policy. It is concluded that unconventional warfare/covert operations is a most valuable tool among the array of foreign policy instrumentalities available to the U.S. Additionally, recommendations are advanced to make the CIA "the authority" for operations in this area; DOD would be removed from the chain-of-command but would furnish necessary resources. The principal message is to recognize

unconventional warfare/covert operations as a distinctive foreign policy tool: one apart from the traditional military and in great need of overhaul.

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UNCONVENTIONAL WARFARE/COVERT OPERATIONS AS AN INSTRUMENT OF U.S. FOREIGN POLICY

CHAPTER I

INTRODUCTION

> The game of nations differs from other games--poker, war, commerce--in several important respects. First each player has his own aims, different from those of the others, which constitute "winning"; second, every player is forced by his own domestic circumstances to make moves in the game which have nothing to do with winning and which indeed might impair chances of winning; third, in the game of nations there are no winners, only losers. The objective of each player is not so much to win as to avoid loss.[1]

Most political scientists today classify national instrumentalities of foreign policy in one or more of the five broad categories of diplomacy, international law, international organizations, economics and war.[2] These functional divisions are quite useful to the analyst and are usually well understood except when describing the instrument of war. Most authorities explain the instrument of war solely in classical or conventional terms as a relatively overt clash of clearly identified opposing armed forces.[3]

The purpose of this paper is to define and analyze another aspect of warfare which has been prevalent since World War II.

This is the area variously called "covert", "clandestine", "irregular", "paramilitary", "secret", "guerrilla", or "unconventional" warfare. It is the type of warfare we have seen in such places as Greece, Malaysia, Guatemala, Cuba, Vietnam, Congo, Laos, Thailand, Bolivia and Algeria. The United States has frequently been confronted with this kind of unconventional war and often, in little publicized operations, has also countered a number of the opposition's thrusts with similar actions.

Paul Blackstock's scholarly book, Strategy of Subversion, has the same central purpose as does this paper--an explanation of covert or secret operations. The book does not use the same methodology or political approach, however, but Strategy for Subversion does provide a wealth of reference material and numerous historical examples (World War II and before) of various attempts to use unconventional warfare.[4]

In addition to a general lack of knowledge on this important subject of "unconventional" or "covert" operations, a severe semantic problem further contributes to confusion in this area. For instance, the Joint Chiefs of Staff define unconventional warfare as follows:

> Includes the three interrelated fields of guerrilla warfare, evasion and escape, and subversion. Unconventional warfare operations are conducted within

> enemy or enemy-controlled territory by predominantly indigenous personnel, usually supported and directed in varying degrees by an external source (JCS Pub. 1).

Others characterize this kind of warfare as insurgency, or proxy, or guerrilla, or irregular, etc. The point is that a good deal of misunderstanding exists about this area of warfare in which at least one side attempts to "cover" or deny the true sponsors. Therefore, for the purposes of this study it has been necessary to establish some limitations and to provide a definition of what is meant here when discussing unconventional war. Chapter II attempts to illuminate and limit this problem.

Following chapters discuss five recent United States' involvements in waging unconventional or "secret" warfare along with objectives, results and any lessons learned or conclusions reached.

An exhaustive study of American use of unconventional warfare is certainly not feasible without unlimited access to the government's secrets. But the reader should derive from this paper an appreciation of an additional (but little discussed) foreign policy tool available to the United States leadership--that is unconventional warfare or covert operations.

CHAPTER II

SEMANTICS

Since World War II and the advent of nuclear weapons we have witnessed an expanding series of violent conflicts which cannot be legally categorized as wars. The Greek guerrilla conflict of 1947 followed by the French Indochina struggle, the Malaysian guerrilla emergency, Algeria, Cuba, Indonesia, Philippines, Congo and even the Chinese revolution and the current Southeast Asia conflict were not wars in any classical sense. Each of these conflicts have been different, of course, and are seen differently by writers.

The result has been an ever expanding vocabulary of terms which purport to describe these "unconventional" wars. The following listing of terms is illustrative of the lack of precise words to describe most of the post World War II violent conflicts--especially those supported by third parties:

War of National Liberation
Paramilitary operations
Irregular warfare
Insurgency
Revolutionary warfare
Guerrilla warfare
Partisan war
Proxy war
Subversive warfare

Covert operations
Secret war
Peoples' war
Unconventional warfare

Each of these terms have slightly different meanings for most readers but all of them are used in profusion to describe the kinds of "non-wars" which have developed in recent years. Even official definitions, such as the JCS definition given above, are all too often more confusing than helpful. Therefore, for the purposes of this paper only two terms will be used to describe this broad and increasing field of activity--unconventional warfare (UW) or covert operations.

Unconventional warfare (UW) in this paper means secretly conducted combat operations in politically sensitive areas of foreign countries. The element of extreme secrecy is the primary distinguishing factor for this type operation. Unconventional warfare may utilize foreign or U.S. military personnel as well as foreign or U.S. civilians as required but the element of secrecy, especially as regards true sponsorship of the operation, remains paramount.

The term covert operations will also occasionally be used in this study. Covert operations is frequently used interchangeably with UW, but for our purposes it will connote secret operations short of sustained armed conflict. Sabotage, political subversion, guerrilla recruitment, infiltration and certain intelligence operations are examples of this meaning of covert operations.

It is hoped that the foregoing semantical delineations will simplify the following chapters which are concerned with this extremely important field of conflict. These "secret" wars or "non-wars" which have erupted, primarily in the lesser developed countries, since World War II represent foreign policy issues of utmost importance for the United States. And American participation in some of these "secret" operations has been a subject of continuing national debate. Therefore, if it seems likely that this kind of conflict will continue, it is quite important to simplify the profusion of terminology and then to attempt to analyze these secret operations.

CHAPTER III

GUATEMALA

In June 1954 the United States, through covert action, engineered the overthrow of the pro-communist Guatemalan government of Jacabo Arbenz Guzman. President Eisenhower as much as admitted this fact in his 1963 book Mandate for Change.[1]

Since 1954 numerous books and articles have penetrated the secrecy of this early U.S. unconventional warfare operation. A sampling of this background material is listed in the notes.[2] The story of the operation is not really very exciting by today's standards, but it was definitely a model that future plans were patterned after.

President Arbenz took office as President of Guatemala in March 1951 and was immediately faced with economic and social problems which have long been typical in Latin America. After three years of frustration and growing domestic unrest, Arbenz turned more and more to the Soviets for assistance in order to maintain his power. There seems little doubt that by 1954 the communists were running Guatemala. Among many other communist activities Arbenz expropriated the United Fruit Company's holdings in 1953 which were valued at $40,000,000.

This "nationalization" of United Fruit Co. was viewed as a communist move by U.S. officials, including President Eisenhower.[3] A more liberal view today however would probably hold that Arbenz was quickly driven to the Soviets for economic and military assistance because the United States would not provide the necessary help. Expropriations of U.S. holdings undoubtedly exacerbated the situation.

Increasingly the Arbenz government became more and more oppressive and many Guatemalan Army officers became disaffected. In 1954 there were two Colonels, Miguel Ydegoras Fuentes and Carlos Castillo-Armas, exiled in El Salvador and Nicaragua respectively, and they both had small numbers of expatriate followers.

By 1953 the U.S. government saw an expanding Soviet influence in Guatemala in what constituted a serious communist breach of the containment policy and of the Monroe Doctrine. President Eisenhower then decided that the Guatemalan regime should be eliminated. And obviously in order to avoid claims of a return to "gunboat diplomacy" the United States called upon the Central Intelligence Agency to develop and execute a secret overthrow operation.[4]

The CIA then rapidly proceeded to set up Colonel Castillo-Armas and his rebel group in a camp in Honduras. CIA officers trained this group as part of a small but effective air-ground team. The air support was supplied by a few old World War II P-47's allegedly flown by mercenary U.S. pilots.[5] But at no time was there published evidence of overt participation by U.S. government personnel.

Finally, about the same time as Arbenz was receiving a new shipment of arms from the U.S.S.R. on June 18, 1954 Colonel Armas and his "liberation Army" crossed into Guatemala from Honduras, and the P-47's bombed San Jose and Guatemala City.[6]

After nearly two weeks of almost comic warfare, due to a lack of support for Arbenz by his own military, Arbenz capitulated as did his successor Colonel Diaz a few days later. On July 8, 1954 Colonel Castillo-Armas was elected President by the ruling junta and the overthrow of the communist power in Guatemala was completed.[7]

Many writers have since criticized this operation as having been unsuccessful because the basic social and economic ills of the country remained and still remain today. It is therefore necessary to examine what the U.S. objectives were in this unconventional warfare operation. These objectives appear to have been:

A. Overthrow of the pro-communist Arbenz government;

B. Creation of a non-communist government friendly to the United States; and

C. Maintenance of secrecy concerning United States' involvement.

All of these major goals were met with dispatch, efficiency and economy. The whole Guatemalan affair has, naturally, been the subject of considerable writings since 1954, but the lid of secrecy was definitely well maintained before and during the operation. The operation in fact was almost too easy since this one case could color thinking about future, more difficult actions. This influence is discussed in following chapters.

The fact remains though that most writers, e.g. all of them cited in this chapter, except for President Eisenhower, consistently underscore the Guatemalan operation as a U.S. failure because no cures to the social injustices have resulted. A good example of this criticism can be found in Richard Barnet's widely read Intervention and Revolution as follows:

> . . .In Guatemala, Iran, Indonesia and the Congo. . . all of which have been the scene of major U.S. interventions to change the politics of the country, it is highly debatable how much progress has been made. To say with absolute certainty whether things would

> have been worse or better had not the United States intervened is impossible, one thing is certain, however. Significant progress toward the goals of stability, democracy, and substantial economic progress, for which the effort was ostensibly made, has not been achieved in any of them.[8]

The logic of this criticism seems very weak indeed when one considers that social reform was not, nor could it have been an immediate objective of the unconventional warfare operation in Guatemala (or the other countries, for that matter). Under Arbenz, the situation in Guatemala was regarded as a communist incursion into the Western Hemisphere which had to be erradicated. It was. The social reform problem, however, is endemic to all of Latin America and is certainly a situation not soluble through covert operations or overt military action. Nonetheless many writers persist in blasting the Guatemala and all succeeding U.S. UW operations as failures on wholly illogical grounds. It should be noted in this context though that a series of covert overthrow operations in a single country would not be politically feasible. Resulting charges of interventionism neo-colonialism or imperialism would undoubtedly occur in such a series. The U.S., therefore, has to be prepared to accept whatever new government that may be formed subsequent to such an operation.

Finally a few good lessons were very apparent by the end of the Guatemalan affair:

A. Unconventional warfare can achieve a political overthrow with a very small commitment of resources.

B. The mood of the people or at least of the existing military structure is of overwhelming importance for success through irregular means.

C. The value of a small, well coordinated air-ground team in this type operation is paramount.

D. Even if the operation failed, the United States' commitment was minimal and plausibly deniable if necessary.

CHAPTER IV

BAY OF PIGS

The ill-fated Bay of Pigs invasion was the culmination of two years of American frustration over the Cuban situation. Almost from the very day of Castro's takeover on January 1, 1959, Cuban policy toward the United States became hostile as well as Marxist-Leninist in orientation.[1]

By January 1961 the United States had severed diplomatic relations with Cuba, but much more forceful actions had already been planned. On March 17, 1960 President Eisenhower directed the Central Intelligence Agency to organize and train a Cuban guerrilla force with the ultimate objective of overthrowing the Castro government. The operation was initially conceived to be similar to the Guatemalan affair of 1954.[2]

The very well documented Bay of Pigs fiasco clearly reveals some interesting aspects of United States policy and high level decision making. Since the time of the Monroe Doctrine Cuba has definitely been recognized as being well within the United States' sphere. In 1956 however, whether wrongly or rightly, President Eisenhower's administration opted for a covert rather than an overt course of action in Cuba.

Once unconventional warfare was selected as the U.S. tool for action, planning and training began for an operation by Cuban exiles. However, the change in the U.S. administration which occurred in January 1961 altered the composition of the top level decision-making bodies at a crucial time in this secret operation. Although the CIA officer in charge, Mr. Richard Bissell, never changed, the top White House and State Department officials were all new.[3]

Evidence indicates that President Kennedy was never a strong advocate of this Cuban venture and Secretary of State Dean Rusk was probably opposed. Nevertheless, the planned operation was allowed to continue and was even reviewed and supported several different times by the Joint Chiefs of Staff.[4]

The final plan called for a rather conventional-type landing operation on the Cuban beaches at Playa Giron (Bay of Pigs) by a Cuban exile group of 1,500 men. This so-called Brigade was to establish a beachhead, fight its way inland, unite with defecting militia, spark anticipated popular uprisings, and thereby bring about the downfall of Castro. Although superficially the plan seemed faily simple and logical, one should bear in mind that success depended on substantial support from the people and also sustained tactical air support. The air support was to be provided by sixteen B-26's supplied by CIA and flown by Cubans from Puerto Cabezas, Nicaragua. Castro's air force was to be destroyed by these same B-26's in pre-emptive air strikes prior to the landing. Even with these two essential elements of the plan obviously being somewhat "shaky", the operation was nonetheless given top level U.S. approval and launched on April 17, 1961.[5]

No psychological operations were used in support of this invasion and to worsen matters, the Cuban security forces arrested an estimated 200,000 anti-Castroites immediately after the first B-26 air strikes on the eve of the invasion. These factors appear to have seriously weakened the operation even before the invasion was launched.[6]

The details of the debacle which followed are well known but three essential factors should be remembered about the Bay of Pigs. First, the estimates of support for this operation by the Cuban people were never clear and little if any work was done to stimulate support. Second, the continual vascillation on the part of President Kennedy and his closest advisors about whether to provide tactical air support doomed the operation. Thirdly, the last minute change in the planned landing beach (from Trinidad to the Bay of Pigs) for "political" purposes clinched what was already a failure for the U.S. and a great victory for Castro.[7]

Although most people basically agree on the failures of the Bay of Pigs, the operation is still worth studying as a political and military model. Many analysts would agree that an overt direct U.S. invasion of Cuba could have been engineered in much the same way as was done by the U.S.S.R. in Hungary and later in Czechoslovakia. It appears though the United States chose to try the covert route for at least three important reasons:

A. The earlier success in Guatemala provided a tempting example of what could be achieved at a very nominal cost in resources.

B. The use of Cuban exiles as proxies lowered the possibility of a major U.S./U.S.S.R. confrontation to a minimum.

C. U.S. domestic political and Latin American reaction would be minimized by avoiding a direct United States intervention.

The United States objectives in the Bay of Pigs operation appear simple--the overthrow of Castro and reestablishment of a friendly, non-communist Cuban government. These objectives were, of course, not met and in fact the reverse actually occurred.

Many conclusions can be drawn and many lessons should have been learned from the Bay of Pigs experience. Perhaps the most important lesson is to understand that without popular support, a planned guerrilla action is slated for failure. There was little evidence of any large scale sympathy for such an operation among the Cuban people. And there was absolutely no attempt made by the United States, through propaganda or other means, to rally such support in advance of the invasion.

Another important lesson apparent from this case is applicable to all kinds of military operations and not just peculiar to unconventional warfare. That is, last minute changes in basic concepts, such as assurance of air superiority, cannot be tolerated in any sound military or paramilitary operation. It is far better to cancel an operation than to tamper hastily with the basic logic of the plans. A final lesson learned on the beaches of the Bay of Pigs was that security or "cover" cannot be maintained in a large operation which is a failure. It was only a matter of a few days after the invasion that the entire United States involvement became widely known and publicized.

The tragedy of the Bay of Pigs adventure undoubtedly seriously shook the faith of many senior U.S. officials regarding the efficacy or value of "covered" or unconventional operations. The enthusiasm created by the easy win in Guatemala was greatly tempered in Cuba in 1961.

Finally, though, it should be recognized from this vantage point in 1972 that the "bad press" suffered by the United States as a result of the Bay of Pigs failure has faded almost into obscurity. This failure was therefore quite modest insofar as its lasting impact on the world is concerned.

CHAPTER V

CONGO

The sudden rise of nationalism in the Belgian Congo in the late 1950's provided the ingredients for another violent conflict in an underdeveloped region of the world. Although the Belgians had done virtually nothing to prepare the Congolese for independence, the decision was made nonetheless in 1960 to create a new nation state--The Congo Republic.

As might have been expected, a state of chaos ensued with the precipitous granting of total independence. The Belgian Congo was far from a state of unity and factionalism or tribalism was common. The Belgians had done nothing to train leaders for the new nation. It therefore surprised few people when five days after independence on 5 July 1960 Congolese Army troops (Force Publique) rebelled against their new government and against their Belgian officers. President Kasavubu and Prime Minister Patrice Lumumba were powerless in trying to quell the mutinies, and Belgian troops intervened--ostensibly to protect their nationals. However, during these uprisings, Moise Tshombe with obvious Belgian backing declared the rich province of Katanga as independent and began forming a new army with Belgian officers.[1]

It was in this highly confused situation on July 12, 1960 that Kasavubu and Lumumba jointly requested ". . . the urgent dispatch of U. N. military assistance to protect the national territory of the Congo against the present external aggression which is a threat to international peace."[2] The U. N. responded rapidly in this case trying to prevent the Congo from breaking up into rival provinces.

The U. N. force, eventually numbering over 20,000, was never able to restore peace although it was able to end the Katanga secession when Tshombe finally capitulated on January 14, 1963. After nearly four years of operations the U. N. force was totally withdrawn by June 30, 1964.[3] At that time the country was left in a power vacuum both politically and militarily. Confusion and fragmentation existed throughout the country and Moise Tshombe, who had returned after a year's exile in Europe, was surprisingly named Prime Minister. Tshombe pledged to reunite the country and reconcile the right and the left.[4]

Unfortunately Tshombe failed to gain popular support and was additionally forced to try to restore order without an effective military force. Meanwhile in the Eastern part of the country pro-communist and leftist rebel groups were growing in power and were being supported in varying degrees by the U.S.S.R., P.R.C., Algeria, U.A.R., Sudan, and the Brazzaville (former French Congo) Congo.[5]

Thus in 1964 the United States faced another serious "cold war" conflict in the heart of Africa. The very large and potentially wealthy country of the Congo was disentegrating and both Russia and China were engaged in supporting the conflict through third parties.

The United States reactions to this situation are quite interesting and deserving of considerable analysis. U.S. decision makers saw the growing conflict in the Congo as a situation likely to be won by pro-communist forces unless countered rapidly by an external force. U. N. operations had failed to end the insurgency and the rebel forces were becoming quite strong, especially due to U.S.S.R. support. The following quote from a New York Times article of April 26, 1966, is quite illuminating:[6]

> At the Ituri River, eight miles south of Nia Nia in the Northeast Congo, a government column of 600 congolese and 100 white mercenaries had been ambushed by a rebel force and was under heavy fire. Suddenly, three B-26's skimmed in over the rain forest and bombed and strafed a path through the rebel ranks for the forces supported by the United States.

> At the controls of the American-made planes were anti-Castro Cubans, veterans of the Bay of Pigs invasion of Cuba in 1961, three years before. They had been recruited by a purportedly private company in Florida. Servicing their planes were European mechanics solicited through advertisements in London newspapers. Guiding them into action were American "diplomats" and other officials in apparently civilian positions.
>
> The sponsor, paymaster and director of them all, however, was the Central Intelligence Agency, with headquarters in Langley, Va. Its rapid and effective provision of an "instant air force" in the Congo was the climax of the Agency's deep involvement there.
>
> The CIA's operation in the Congo was at all times responsible to and welcomed by the policy-makers of the United States. (Underlining added.)

This same article goes on at some length to point out that the CIA in this case served as a political and military instrument of intervention in another nation's affairs after five years of unsuccessful but strenous diplomatic and U. N. efforts. Through the use of the CIA, however, an "unconventional" or "paramilitary" operation enabled Tshombe's government forces to defeat the rebels and convincingly end the threat of a Communist takeover. The uprisings were ended by May 1965.[7]

The United States' objectives in this unconventional intervention in the Congo appear simple:

A. Prevent a pro-communist victory in the Congo.

B. Establish a stable, friendly Congolese government.

C. Avoid direct U.S. intervention.

D. Maintain secrecy or at least a "low profile."

All these objectives were met quite successfully for the most part. The cover of secrecy was, of course, eventually penetrated in part by the press and others. But good security was maintained throughout the duration of the operation. Direct U.S. military intervention was definitely avoided in this case except for the joint U.S.-Belgian humanitarian operation at Stanleyville on November 23, 1964.

The timely and efficient use of airpower combined with well-led irregular ground forces once again demonstrated the utility of this team in an unconventional warfare situation. The success of this operation after the disastrous Bay of Pigs failure probably restored the faith of many U.S. leaders in the usefulness of secret warfare.

The reader should definitely note that the United States' objectives in this intervention did not include any humanitarian or social reform goals. Like other forms of warfare, UW can only achieve short-term political ends. Instruments of policy other than warfare (covert or overt) are needed to gain revolutionary social change.

CHAPTER VI

VIETNAM

United States' involvement in covert operations has certainly never been more extensive anywhere than in Southeast Asia. This chapter deals with U.S. operations in Vietnam, and the next chapter concludes with the Laos story. And as in Laos, the Vietnam story has to be separated roughly into two phases. Strangely enough though the phases seem completely different in the two countries. This factor will be discussed in a later section.

Unconventional warfare Phase I in Vietnam extends from 1954, just before the French defeat, until about 1963. The second phase of operations reaches from 1963 to the present. These two phases have been established for the purposes of this paper to denote who was the principal or "executive" agency in charge of operations at the time, i.e., Phase I--CIA and Phase II--Department of Defense.

Thus far, the most revealing public documents to come to light concerning covert operations in Vietnam are the famous Pentagon Papers published in 1971.[1] There have been, of course, numerous journalistic ventures into this area in past years but only on a very spotty basis. The Pentagon Papers do however provide considerable documentary evidence concerning the scope of United States covert operational activity throughout the period.

For the purposes of this paper only a brief background sketch of covert operations in Vietnam will be given. As in previous chapters, an attempt will be made to analyze the U.S. objectives and reasons for engaging in UW in Vietnam, results and any lessons which might be apparent.

The U.S. involvement in unconventional warfare in Vietnam must be traced back to the summer of 1954 when the Eisenhower administration decided to commence limited actions in support of the French. In addition to overt logistic support, Col. E.G. Lansdale, CIA, and a team of agents began "paramilitary" operations against the Vietminh Communists. These actions consisted of sabotage, psychological warfare, other small unit operations and air operations. This particular course of action was chosen after considering and then rejecting overt U.S. military intervention in Indochina. The only alternatives seemed to be overt logistic and covert operational support to the French and later to the Ngo Dinh Diem regime in South Vietnam.[2]

The Geneva Convention of 1954 which partitioned Indochina did not end U.S. covert operations in Vietnam. The U.S. efforts centered around a unit dubbed the Saigon Military Mission (SMM) which had already conducted limited UW missions in the North just prior to the treaty. This CIA organization continued after the treaty, however, to train and infiltrate South Vietnamese UW teams into North Vietnam. This very limited effort gradually abated in the years 1955-9 although U.S. overt commitments in the form of a Military Assistance Advisory Group (MAAG) increased slowly.[3]

Commencing in 1959 the North Vietnamese, having consolidated their positions in the North, increasingly focused on South Vietnam through terrorism, guerrilla operations and greatly enlarged infiltration movements of men and supplies. The U.S. responded to this increased threat to South Vietnam by tremendously enlarging the MAAG and logistic support on one hand and by stepping up unconventional warfare on the other hand. The following quote from "A Program of Action for South Vietnam", May 8, 1961, by an interdepartmental task force from DOD, CIA and State is illustrative:[4]

> Unconventional Warfare: Expand present operations of the First Observation Battalion in guerrilla areas of South Vietnam under joint MAAG-CIA sponsorship and direction. This should be in full operational

> collaboration with the Vietnamese, using Vietnamese civilians recruited with CIA aid.
>
> In Laos, infiltrate teams under light civilian cover to Southeast Laos to locate and attack Vietnamese Communist bases and lines of communications. These teams should be supported by assault units of 100 to 150 Vietnamese for use on targets beyond capability of teams. Training of teams could be a combined operation by CIA and U.S. Army Special Forces.
>
> In North Vietnam, using the foundation established by intelligence operations, form networks of resistance, covert bases and teams for sabotage and light harassment. A capability should be created by MAAG in the South Vietnamese Army to conduct Ranger raids and similar military actions in North Vietnam as might prove necessary or appropriate. Such actions should try to avoid any outbreak of extensive resistance or insurrection which could not be supported to the extent necessary to stave off repression.
>
> Conduct overflights for dropping of leaflets to harass the Communists and to maintain [sic] morale of North Vietnamese population, and increase gray broadcasts to North Vietnam for the same purposes.

U.S. covert operations proceeded at a modest pace according to the foregoing guidelines and by 1963, just before the overthrow of President Diem, had largely accomplished the missions which had been established, albeit none of these missions proved to be of decisive importance. The major U.S. efforts had been made in building and training the South Vietnamese Army (ARVN); U.S. MAAG troop strength grew from about 500 in 1959 to about 16,000 by November 1963.[5]

Sometime in 1963 the responsibility for the conduct of unconventional warfare in Vietnam was shifted from CIA to the Defense Department, probably as a result of the rapidly growing U.S. military force in Vietnam. Prior to this shift in responsibility the CIA had control of all UW operations even including the U.S. Army Special Forces.[6]

Phase II begins with the shift of responsibility to DOD and covert operations against North Vietnam commenced to get into high gear with an ". . .elaborate program of covert military operations against the state of North Vietnam", code named Operations Plan 34A. The objective of this operation apparently was to force the North Vietnamese to cease infiltration by progressively escalating U.S. clandestine attacks.[7]

Available unclassified data on the UW campaign in Vietnam ends in 1967 which is the end of the period studied in the Pentagon Papers. Obviously though, the UW operations subsequent to 1963 were ineffective in that large scale enemy infiltrations into South Vietnam continued and the United States intervened with direct military force in 1965.

U.S. sponsored covert operations in Vietnam have obviously continued from 1963 at least until 1968. But such operations have quite clearly been only of minor strategic importance and very much subsidiary to the U.S. direct military efforts.

What then have been the U.S. UW objectives in Vietnam? In this case the answers are not clear and can only be guessed at as follows:

A. In the 1950's and early 1960's--to shore up the Diem regime thru UW delaying operations until the South Vietnamese military machine could be made viable.

B. After 1963--force North Vietnam to de-escalate thru UW harassment.

C. After 1963--serve as an intelligence and harassment arm of the South Vietnamese and U.S. military forces.

D. Prior to 1965--generate continuing operations against the North Vietnamese without directly involving the United States.

E. Avoid confrontation with U.S.S.R. or the P.R.C.

F. Maintain Secrecy.

Quite clearly the U.S. decision makers chose, at least initially, covert operations in South Vietnam in lieu of direct military intervention. Each of the U.S. objectives appear to have been achieved, more or less, except for the strategic objective of forcing North Vietnam to de-escalate. Effective covert operations in this instance were either too small in scale, poorly directed, not possible or a combination of all three.

One thing does seem plain, however, when this case is contrasted with Laos. That is, UW in South Vietnam was always of secondary importance while direct military action was the primary instrument used against the enemy. Just the opposite was true in Laos as will be detailed in the next chapter.

Many lessons will undoubtedly be learned from the Vietnam unconventional warfare experiences. In the view of this author though, the main lesson should be an understanding of the absence of clear cut, attainable UW objectives. U.S. unconventional warfare objectives frequently shifted through the 1955-68 time frame and the control also shifted. The result was ineffectiveness and in fact a major failure requiring a conventional U.S. armed intervention to avoid the fall of South Vietnam.

Study of the available evidence indicates that the vast bulk of U.S. efforts in South Vietnam have been in the area of conventional military operations. A Military Assistance Command Vietnam (MACV) numbering 16,000 men in 1963 is adequate proof of this point. On the other hand, the evidence seems to indicate considerable reliance on UW but nowhere near the same level of U.S. support for this strategy.

In closing one can only speculate, of course, but the current Nixon Doctrine certainly militates against any future U.S. ground force commitments in Vietnam—like scenarios. If this is true, then the need for an effective unconventional warfare capability is even more important today.

CHAPTER VII

LAOS

A detailed case study of U.S. secret operations in Laos since 1954 and principally since 1960 would require many volumes. Therefore only a brief background sketch will be attempted here with the object of highlighting and analyzing the main United States' involvement in unconventional warfare activities in Laos.

By the 1960-61 time frame the pro-communist Neo Lao Haksat (NLHX) party and its military arm, the Pathet Lao (PL), with strong North Vietnamese and Soviet assistance, was becoming a threat to the existing government of Laos. This country, which had been created by the Geneva Convention of 1954, was supposed to be safeguarded by an International Control Commission (ICC) composed of members from Canada, India and Poland. Just as in Vietnam, however, the ICC was never able to make effective inspections or rulings due to the obvious polarity of the group.[1]

By late 1961 U.S. officials became alarmed at Pathet Lao gains in Laos and decided that additional support had to be supplied to the right-wing forces of General Phoumi Nosavan.

U.S. military aid and a Military Assistance Advisory Group (MAAG) had already been working in Laos for several years but increased effort was deemed necessary.[2]

Once again U.S. policy makers saw action as being required and had to decide what kind. In this case the U.S. opted for both overt and clandestine means. The MAAG increased support to the Lao Army (FAR), President Kennedy deployed 5,000 American troops to Thailand and clandestine support was rendered to Lao hill tribesmen (mainly Meos) by U.S. Army Special Forces and by the U.S. Central Intelligence Agency. The principal U.S. force involved in Laos at this time however was the U.S. Army's Special Forces under the code name "White Star."[3] These U.S. Army Special Forces teams trained and equipped numerous tribesmen in both Northern and Southern Laos with the objective of waging guerrilla-type warfare against the Pathet-Lao and North Vietnamese troops. This training and some operations were conducted up until the time of the Geneva Accords of July 1962.[4]

With the signing of the Geneva Convention of 1962, the United States obeyed the mandates prohibiting further military action or support in Laos and withdrew all U.S. personnel involved in these activities, thus ending the first phase of the United States operations in Laos--especially the unconventional operations. Additionally the SEATO troop "manuevers" in Thailand were ended and all U.S. troops were withdrawn.

For a time after the 1962 accords Laotian neutrality seemed a fact. The U.S.S.R. stopped its logistical support to the insurgents and the North Vietnamese desisted from agressive action. It appears, however, that the North Vietnamese Army (NVA) troops located in Northern and Southern Laos were never withdrawn.[5] And by late 1963 the neutrality of Laos began to be seen by the United States and her allies as a farce. North Vietnamese Army units began to agressively take control of solid areas of North Laos and especially of the eastern half of South Laos. In the next few years the NVA completely constructed the intricate road network in South Laos (Ho Chi Minh Trail) with the major objective of securing extensive supply routes into South Vietnam and Cambodia.[6]

The Laos conflict is, of course, tied closely to that in South Vietnam although the United States policies have been vastly different in the two countries. Probably because of the 1962 Geneva accords, the U.S. government viewed its courses of action in Laos as being constrained to relatively covert means. In any event, in the face of mounting NVA/PL pressures in Laos in late 1963, the U.S. once again began secretly supporting the Lao government. The regular Lao Army (FAR) was given material and financial support and a large scale paramilitary or unconventional warfare program under CIA auspices was begun throughout the remainder of the country.[7]

By 1970 CIA supported and directed irregular forces in Laos numbering 39,800 men in every area of the country except in the vicinity of Vientiane. Furthermore, these "irregular" forces have come to be characterized as "the cutting edge of the Laos military forces." Regular Lao military forces are described as being tied down to a static defense role.[8]

Any reading of the Symington subcommittee hearings of August 3, 1971 on Laos (source of the preceeding paragraph's information) leaves one with the impression of a very large CIA covert operation (initially) which has gradually become merely "low profile" but nonetheless of decisive importance. According to these Senate hearings, the defense of Laos currently rests primarily on these "irregular" CIA--supported troops and on heavy U.S. Air Force tactical air support. (Up to 14,000 sorties/month.)[9] This case, incidentally, seems to be the first instance of large scale direct U.S. military air support for covert guerrilla or irregular troops.

The UW operation in Laos today is obviously huge by former standards. No final judgment can be made yet concerning ultimate success or failure in this operation, but it's certainly unique in U.S. history.

The U.S. objectives in this venture seem familiar:

A. Prevent the seizure of Laos by a Communist force.

B. Do so without committing U.S. ground forces.

C. Maintain secrecy as to degree of U.S. involvement.

Thus far all of these objectives have been reasonably well met although the secrecy veil started slipping in 1968, and the 1971 Congressional hearings further compromised this "covert" operation. A measure of the successes achieved to date can be seen from a study of the Symington Committee minutes which show current enemy forces in Laos of 139,000 men (100,000 North Vietnamese Army): the friendly forces, using guerrilla tactics, continue to hold against this force, however, without the aid of U.S. troops.

In studying the Laos case one should note the contrast with the South Vietnam case. In South Vietnam the U.S. elected to use direct military intervention whereas in Laos the UW route was chosen. The efficacy of either course of action can be easily argued, but it should be noted that the U.S.

commitment in Laos today is only a fraction of that in S. Vietnam and no U.S. ground personnel are being killed. This is primarily due to the absence of a direct U.S. military ground force intervention in Laos.

The Laos UW operation also is similar to the other cases analyzed in that, at least initially, small centrally controlled ground teams were utilized along with finely coordinated air support. Conventional military operations have been avoided.

Finally, a new element in UW has been added during the Lao experience--large scale, sustained close air support for guerrilla forces who are opposing a conventional army. The results thus far show considerable success against superior numbers while at the same time avoiding a major U.S. direct involvement.

In concluding this chapter on Laos it is interesting to note that the Vietnam case and the Laos case are almost completely opposite insofar as the UW picture is concerned. Both operations have been roughly divided into two phases. But in Laos the military was the primary UW agency in Phase I while CIA held sway in South Vietnam. Then, during Phase II, the control swapped in both countries. Additionally, UW proved to be the primary strategy in Laos while conventional direct military action has been primary in South Vietnam. Very interesting strategic and political questions can be posed when this dichotomy is understood although such an exercise is beyond the scope of this paper.

CHAPTER VIII

COMPARISONS, CONCLUSIONS AND RECOMMENDATIONS

> . . .While our citizens may take pride in the solid front of high morality which our nation presents, they can also sleep more easily at night from knowing that behind this front we are in fact capable of matching the Soviets perfidy for perfidy.
>
> . . .When we choose to violate any of our policies, from being truthful in diplomacy to refraining from interfering in the internal affairs of a sovereign nation, we find means outside the normal machinery of government. (Miles Copeland, THE GAME OF NATIONS, London 1961, p. 13.)

The five cases described in this paper are widely separated geographically, demographically, culturally, and historically. The countries involved do have in common the unquestioned status as members of the "third world" or "lesser developed countries." These cases additionally are similar in that an externally supported communist intervention was always involved or at least perceived by the United States as being involved. In other words, these cases all were seen as Soviet or Chinese sponsored challenges to the United States' containment policy.

U.S. objectives have also been similar in each of the five situations. The principal objective has been to prevent or reverse communist takeover and to restore stability. Guatemala and the Congo seem rather clear-cut successes in this regard while the Bay of Pigs was a failure;and the decision is still in doubt in Vietnam and Laos, although one could call Vietnam a failure in that overt intervention of U.S. troops was required.

In every case, however, the United States Government made conscious and detailed decisions to intervene, at least partially, on a covert or secret basis. The most interesting factor here, it seems, is why the United States opted for such secret means and whether or not UW was an adequate substitute for conventional intervention.

It seems clear that the U.S. decision makers saw each of these five crises as areas of possible direct confrontation with the U.S.S.R. or China unless something drastic was done to alter an impending or existing communist takeover. In each case it was further judged that overt U.S. military intervention was not politically desirable because of both international and domestic considerations. Quite obviously then if overt action is undesirable the covert alternatives become more attractive, even to a nation basically morally opposed to secrecy.

Having made the decision to intervene secretly in each of these cases, the United States used both the Central Intelligence Agency and the Department of Defense (usually the CIA) to direct and conduct the necessary operations.

Tactics and technique have varied considerably, of course, but the concept of a centrally controlled, small air-ground unconventional warfare team seems common to all the operations examined. Only in Vietnam and Laos have the numbers involved in this team become relatively large. Laos, as has been mentioned, is a rather special case which is still ongoing, and which is unique to UW history in many ways. It is quite possible that U.S. objectives in Laos will be achieved with the relatively small efforts now being made. South Vietnam, on the other hand, was never a case wholly devoted to the prosecution of unconventional warfare. As is pointed out in the chapter on Vietnam, the United States' focus has always been largely on direct military action with UW playing only a complementary role.

Covertness or secrecy is also common by definition in all the cases discussed here. By and large the cloak of secrecy has been well maintained at least until beginning operations. The results of the action and the duration have naturally been the determining factors in the maintenance of lasting secrecy. Certainly the operations in Guatemala, Congo, Laos and Vietnam were kept well covered for extended periods of time.

THE REAL QUESTION: IS UW TOO RISKY OR COUNTER-PRODUCTIVE?

Professor L. B. Kirkpatrick, Jr. in his book The Real CIA in analyzing the Bay of Pigs affair offers the following:

> . . .Finally, the most important lesson of all was that it is seldom possible to do something by irregular means that the United States is not prepared to do by diplomacy or direct military action. As in so many things, the attempt to do it the easy way backfired with catastrophic results to the reputation of the United States.[1]

The conclusion or lesson one arrives at from the analyses in this paper, however, is just the opposite from Prof. Kirkpatrick's "most important lesson." The United States has amassed a great deal of experience with unconventional wars in the past 30 years. And just as has been seen from the five cases discussed in this paper, some U.S. covert actions have succeeded and others have not. But, based on the cases studied here, one thing does seem clear regarding UW: the U.S. national commitment in this kind of operation is minimal and indirect. That is, if the action is unsuccessful the penalties are not severe and normally merely involve suffering a temporarily poor world "image" and/or some domestic embarrassment for the U.S. administration in power. The following quote from Evan Luard's Conflict and Peace in the Modern International System concerning the public opinion or image pheonomenon seems appropos here:

> . . .opinion cannot exert influence if it is not clear whether the acts involved represent a transgression. Where it is uncertain whether particular kinds of action--support for native forces from outside the frontiers, the engineering of coups d'etat, the training or dispatch of volunteers or special forces--are permissible or otherwise, its effect is neutralized.[2]

On the other hand, defeat in an overt military operation nearly always results in a political disaster. This is not to defend the tactics of the Bay of Pigs, but US. UW experience indicates that the "catastrophic results" expected by Prof. Kirkpatrick are in actuality the least likely product.

Therefore, in the opinion of this writer, it is precisely because of this relatively low-level commitment and involvement of national prestige and security that unconventional warfare has and probably will be an attractive, but little talked of, United States' instrument of policy.

In the era of the Nixon Doctrine there is every likelihood that the United States will continue utilizing the means of unconventional warfare or covert operations. And since there is abundant evidence of some very poor performances in the past, the question arises as to how the nation can better use this tool in the future.

Recommendations. First of all, it is obvious that UW and covert operations have been practiced by both the Defense Department and CIA since World War II. The CIA, however, has most often been called upon to plan and direct these operations. Overall DOD staff responsibility for UW rests with a small element (DOCSA) of the Joint Chiefs of Staff, Deputy for Operations. Presumably a similar staff is also established within CIA. In addition, each of the military services have establishments which are supposedly responsible for training and/or conduct of UW operations. In the Army it is the Special Forces. In the Navy it is the Sea Airland (SEAL) teams, and in the Air Force it is the Special Operations Forces (SOF). Obviously the planning, doctrine and training for UW is very much diffused.

Therefore, since the CIA normally finds itself as the responsible agency during "cold war" conditions, it seems only logical that they should be clearly established as "the authority" and be given the necessary resources to properly prepare for and conduct UW or covert operations when directed.

Of course the CIA would have to be given direct access to and authority over the necessary DOD assets (men and material) in order to establish a meaningful planning and training program. Control could revert to DOD in case of open or classical war.

Such an arrangement should be relatively easy to achieve administratively and still maintain the required security or "cover" precautions. The parochial outcries from the DOD and the military services though would undoubtedly be the major stumbling block. Nevertheless, in the judgement of this writer, the unconventional warfare instrument of national policy is so important that bureaucratic obstacles should be dismissed out of hand.

The responsibility for UW should be absolutely fixed, preferably within CIA, but definitely under one organization, and the required men and materials should be placed directly and unequivocally under this organization. Because of the unique requirements of unconventional warfare (secrecy, flexibility, smallness, ultra-coordinated teamwork, etc.) a single command approach is only common sense.

In opposition to this proposed arrangement are numerous writers of the press, Congress, academia and others who have proclaimed the "necessity" for absolute separation of the intelligence collection function from the operational arm of the executive. Senator Fullbright,[3] Paul Blackstock,[4] President Truman,[5] the New York Times,[6] and the Washington Post[7] to name only a few have extolled the virtues of intelligence but have deplored operations which have been conducted by the CIA. None of these authorities however have stated what the proper organizational approach should be. They do not advocate the need for a separate operational agency, nor do many disclaim the requirement for covert operations. Additionally, none of these people or newspapers claim that unconventional warfare should be run by the Defense Department, State Department, or any other U.S. agency.

A current book by Henry Howe Ransom, THE INTELLIGENCE ESTABLISHMENT, does occasionally treat with the covert operations/unconventional warfare organizational problem although, in this writer's opinion, he misses the mark somewhat. Professor Ransom expresses a preference for the British system which separates in-country counter-intelligence from out-country secret intelligence and has relied on a third arm of the Secret Intelligence Service (SIS) for covert operations. According to Prof. Ransom, this organization was the Special Operations Executive (SOE) which operated effectively in World War II but has since been deactivated.[8]

Mr. Ransom does not however recommend the British system for U.S. utilization. He instead states only that covert operations should be compartmented within CIA so as to avoid any "feedback" problems.[9] Apparently Mr. Ransom and many other writers do not realize this "compartmentation" already exists in that the clandestine service of the CIA (Deputy Director for Plans--DDP) is an entirely separate arm of the agency.[10]

In the view of this writer, too many critics have developed a dilemma through oversimplification and have then been unable to recommend a solution. In point of fact, the complete separation of the intelligence collection function from the operational function has most often been more theoretical than actual. It is true that objective analysis of intelligence data is always in need. But historically the "collectors" and the "actors" have often been the same or very closely related. For instance, most combat reporting is done by the combatants, and clandestine human source reporting is normally accomplished by operational field agents. Additionally, analysts' views are always subject to considerable interpretation or revision by military commanders, senior intelligence officials or high level government officials.

And after all, these "revisionists" very often are the principal actors as well. The point is, a clear cut distinction between intelligence collection and operations is not feasible: nor is it always desirable since the operators in the field are often closest to the reporting sources.[11]

The United States should not have to accept fiascos like the Bay of Pigs or confused operations such as the early stages of Vietnam. The simple organizational approach recommended here should give our top decision makers an effective instrument to be counted on.

Finally, a paper of this nature cannot make detailed recommendations concerning implementation of the suggested organizational changes, and the purpose of this paper has not been to develop organizational schemes. But it should be apparent that a very high level group, probably the National Security Council, should study this problem and develop and implement the required programs.

Hopefully, this paper has led the reader to regard unconventional warfare/covert operations as distinct from, and in some cases a substitute for, the traditional military instrument of national power. And most importantly, it should be recognized that the national policy instrument of unconventional warfare/covert operations is too important to be left in its present state of confusion.

NOTES

Chapter I

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2. Frederick H. Hartmann, Relations of Nations (New York: McMillan, 1967), Chapter 3.

3. Ibid., p. 146-173.

4. Paul W. Blackstock, The Strategy of Subversion (Chicago: Quadrangle, 1964), p. 351.

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1. Dwight D. Eisenhower, Mandate for Change, Vol. I (New York: Doubleday, 1963), p. 420-427.

2. David Wise and Thomas Ross, The Invisible Government (New York: Random House, 1964); Andrew Tully, CIA: The Inside Story (New York: Wm. Morrow, 1962); Paul Blackstock, Strategy of Subversion (Chicago: Quadrangle, 1964); Richard Barnet, Intervention and Revolution (New York: Meridian, 1968).

3. Wise, p. 170-172.

4. Tully, p. 60-67.

5. Wise, p. 173-178; see also Barnet, p. 233.

6. Ibid., p. 179; see also Barnet, p. 234.

7. Ibid., p. 179-181; see also Tully, p. 65-67.

8. Barnet, p. 277-278.

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1. Haynes Johnson, *The Bay of Pigs* (New York: Norton, 1964), p. 20-24; also Lyman Kirkpatrick, *The Real CIA* (New York: McMillan, 1968), p. 182.

2. Paul W. Blackstock, *The Strategy of Subversion* (Chicago: Quadrangle, 1964), p. 301.

3. Johnson, p. 80-97.

4. *Ibid*.

5. Andrew Tully, *CIA* (New York: Morrow, 1962), p. 250-51.

6. Charles W. Thayer, *Guerrilla* (New York: Harper and Row, 1963), p. 34-40.

7. David Wise and Thomas Ross, *The Invisible Government* (New York: Random House, 1964), p. 282-7; also Tully, p. 267.

Chapter V

1. Richard J. Barnet, *Intervention and Revolution* (New York: Meridian, 1968), p. 244-247; also King Gordon, *U. N. in the Congo*, p. 1-17.

2. Gordon, p. 17.

3. *Ibid*., p. 18.

4. *African Report*, October 1964, p. 20-21; *African Report*, November 1964, p. 18-19.

5. Paul W. Blackstock, *The Strategy of Subversion* (Chicago: Quadrangle, 1964), p. 296 and p. 301; also Barnet, p. 247-249.

6. "How CIA Put Instant Air Force Into Congo", *The New York Times*, 26 April 1966, p. 1:3; see also Mike Hoare, *Congo Mercenary* (London: Robert Hale, 1967).

7. *Ibid*.; also see Barnet, p. 248-251.

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1. Neil Sheehan, et.al., The Pentagon Papers (New York: Bantam, 1971), p. 677.

2. Ibid., p. 22-20; also see Richard J. Barnet, Intervention and Revolution (New York: Meridian, 1968), p. 210-212.

3. Sheehan, p. 53-78.

4. Ibid., p. 124.

5. Stewart Alsop, The Center (New York: Harper and Row, 1968), p. 49.

6. Malcom W. Brown, "U.S. Intelligence Role is Diverse in South Vietnam", The New York Times, 8 October 1963, p. 3:1.

7. Sheehan, p. 235.

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2. Nina S. Adams and Alfred W. McCoy, eds., Laos: War and Revolution (New York: Harper and Row, 1971), p. 164-169.

3. Ibid., p. 183-184.

4. Ibid.

5. Roger Hilsman, "The Instrumentalities of Foreign Policy" Roger Hilsman and R. G. Goods, eds., Foreign Policy in the Sixties (Baltimore: Johns Hopkins, 1965), p. 197.

6. Ibid.

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9. *Ibid*., p. S12963.

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2. Evan Luard, *Conflict and Peace in the Modern International System* (Boston: Little Brown, 1968), p. 86.

3. J. William Fullbright, *"We Must Not Fight Fire With Fire"*, Young Hum Kim, ed., *The Central Intelligence Agency* (Lexington: Heath, 1968), p. 96.

4. Paul Blackstock, *The Strategy of Subversion* (Chicago: Quadrangle, 1964), p. 309.

5. Harry S. Truman, *Washington Post*, 22 December 1963, 1:1.

6. Tom Wicker, et.al., *The New York Times*, 29 April 1966, 1:5.

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8. Henry Howe Ransom, *The Intelligence Establishment* (Cambridge: Harvard, 1970), p. 203-204.

9. *Ibid*., p. 246.

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11. For opposing views see Editorial *The New York Times*, 29 April 1966, 46:1; also see Blackstock, p. 263-266.

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